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INTERSTATE COMMERCE COMMISSION

December 19, 1988

DEC 19 1988 11:15 AM
1 6093

RECORDATION NO

Filed 1425

The Honorable Noretta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

No. 8-354A031

DEC 19 1988

Date

Fee \$

13.00

ICC Washington, D.C.

NOTICE OF RECORDATION

DEC 19 11 06 AM '88

ICC OFFICE OF
THE SECRETARY

Dear Secretary McGee:

Enclosed for recordation, under the provisions of 49 U.S.C. §11303(a) and the regulations thereunder, are an original and one counterpart of a Locomotive Lease Agreement, dated as of December 14, 1988, between General Electric Company ("Lessor") and Union Pacific Railroad Company ("Lessee"), a primary document.

The names and addresses of the parties to the enclosed Locomotive Lease Agreement are as follows:

LESSOR: General Electric Company
2901 East Lake Road
Erie, PA 16531

LESSEE: Union Pacific Railroad Company
1414 Dodge Street
Omaha, NE 68179

A general description of the railroad locomotives covered by the enclosed document is attached hereto as Schedule I.

The undersigned is the attorney-in-fact of General Electric Company. Please return the original of the enclosed document to John K. Maser III, Esquire, Donelan, Cleary, Wood & Maser, P.C., Suite 850, 1275 K Street, N.W., Washington, D.C. 20005-4006 or to the bearer hereto.

Counterpart - John Maser

Letter to Secretary McGee
Page Two
December 19, 1988

Also enclosed is a remittance in the amount of \$13.00 for the required recording fee.

A short summary of the document to appear in the index follows:


PRIMARY DOCUMENT

Locomotive Lease Agreement, dated as of December 14, 1988, between General Electric Company ("Lessor") and Union Pacific Railroad Company ("Lessee"), relating to three (3) General Electric Dash 8-40C, 4000 horsepower, 6-axle road freight locomotives, bearing identification marks "Union Pacific" and Road Nos. 9353 through and including 9355.

Respectfully submitted,

GENERAL ELECTRIC COMPANY

BY:



John K. Maser III
Attorney-In-Fact

004/207-B
Enclosure
286-8

INTERSTATE COMMERCE COMMISSION

DEC 19 1988 4-40 PM
1 6095-B
RECORDATION NO. _____ Filed 1425

[CS&M Ref. 4327-090]

LEASE OF RAILROAD EQUIPMENT

Dated as of November 1, 1988

Between

BURLINGTON NORTHERN RAILROAD COMPANY,
as Lessee,

And

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION
not in its individual capacity but solely
as Owner Trustee under a Trust Agreement dated as
of the date hereof,
as Lessor.

The rights and interests of the Lessor under this
Lease are subject to a security interest in favor of
Meridian Trust Company as Indenture Trustee for certain
Institutional Investors. The original of this Lease is held
by said Indenture Trustee.

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT dated as of November 1, 1988 between BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation ("Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not in its individual capacity but solely as Owner Trustee ("Lessor") under a Trust Agreement dated as of the date hereof ("Trust Agreement") with FIRST BANK NATIONAL ASSOCIATION ("Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement and Indenture dated as of the date hereof ("CSA") with General Motors Corporation (Electro-Motive Division) and M-K Industrial Services Company (each a "Builder" and collectively "Builders") wherein the Builders have agreed to remanufacture, sell and deliver to the Lessor the units of railroad equipment described in Appendix A hereto;

WHEREAS each Builder is assigning its interests in the CSA pursuant to an Agreement and Assignment dated as of the date hereof ("CSA Assignment") to Meridian Trust Company, acting as indenture trustee for certain investors under a Participation Agreement dated as of the date hereof ("Participation Agreement") among said indenture trustee, the Lessee, the Lessor, the Owner, and the investors named in Appendix I thereto (together with their successors and assigns, "Investors") (said indenture trustee as so acting, together with its successors and assigns, "Vendor") (Capitalized terms used herein without definition shall have the meanings specified in the Participation Agreement);

WHEREAS the Lessee desires to lease such number of units of the railroad equipment as are delivered and accepted and settled for under the CSA ("Units") at the rentals and for the terms and upon the conditions hereinafter provided;

WHEREAS the Lessor will assign certain of its rights under this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement ("Lease Assignment") dated as of the date hereof, and the Lessee will acknowledge and consent thereto pursuant to the Consent and Agreement ("Consent") in the form attached to the Lease Assignment;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

SECTION 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof, recoupment or setoff against rent or such other amounts, including, but not limited to, abatements, reductions, recoupments or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor or the Owner under this Lease or the CSA including the Lessee's rights by subrogation thereunder to the Builders or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time thereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and (except as provided in Section 3.1(5) hereof) the Lessee shall not seek to recover all

or any part of such payment from the Lessor, the Owner or the Vendor for any reason whatsoever.

SECTION 2. DELIVERY

2.1. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points within the United States of America at which such Unit is so delivered to the Lessor. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the CSA and on behalf of itself hereunder and execute and deliver to the Lessor a certificate of acceptance ("Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating, among other things, that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with Section 5.1 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

2.2. Designation of Series A, Series B and Series C Units. All Units which are delivered and accepted hereunder pursuant to the CSA on or prior to December 28, 1988, shall be called Series A Units; all Units which may be delivered and accepted hereunder pursuant to the CSA after December 28, 1988, and on or prior to June 30, 1989, shall be called Series B Units; and all Units which may be delivered and accepted hereunder pursuant to the CSA after June 30, 1989, and on or before December 15, 1989, shall be called Series C Units. The Lessor and the Lessee shall enter into a supplement hereto promptly after final settlement for all Units setting forth the road numbers of the Units which are designated Series A, Series B and Series C Units.

SECTION 3. RENTALS

3.1. Amount and Date of Payment. (1) As rental for each Series A Unit subject to this Lease, the Lessee agrees to pay to the Lessor the rental payments in the amounts and on the dates shown in Appendix B hereto. As rental for each Series B Unit subject to this Lease, the

Lessee agrees to pay to the Lessor the rental payments in the amounts and on the dates to be shown in Appendix B hereto by amendment. As rental for each Series C Unit subject to this Lease the Lessee agrees to pay to the Lessor the rental payments in the amounts and on the dates (hereinafter "Payment Dates") to be shown in Appendix B hereto by amendment. The forgoing rental payments are herein called "Basic Rents". "Supplemental Rents" shall mean all amounts, liabilities and obligations (other than Basic Rent or any periodic rent payable during any Renewal Term) which the Lessee assumes or agrees to pay under this Lease or under any other Document to Lessor or any other person including, without limitation, Casualty Values, indemnities, interest on any overdue installment of rent and other sums due from the due date until paid in full at the Overdue Rate (to the extent permitted by applicable law), any insurance premium paid by the Lessor in respect of insurance required to be carried by Lessee under this Lease, all trustee fees and expenses pursuant to Section 12(c) of the Participation Agreement and damages for breach of any covenants, representations or warranties of the Lessee under any Lessee Document.

(2) The Basic Rents and the related Casualty Values set forth in Appendix B hereto have been calculated on the assumptions for each Series of Units set forth in Appendix B hereto. If for any reason those assumptions prove to be incorrect, then, such Basic Rents (and the related Casualty Values) payable by the Lessee hereunder in respect of such Units shall be increased or decreased, as the case may be, by such amount as shall, in the reasonable opinion of the Owner, cause the Owner's nominal net after-tax economic yield and total after-tax cash flow, computed on the same assumptions, including tax rates, as were utilized by the Owner in originally evaluating the transaction with respect to such Units (such yield and cash flow being hereinafter called "Net Economic Return"), to be approximately equal to but not less than the Net Economic Return that would have been realized by the Owner if such assumptions had proved to be correct. The Lessor shall provide a schedule of Basic Rents and Casualty Values to the Lessee and the Vendor promptly after the facts have been determined and the calculations have been made and, if requested by the Lessee, the Lessor will furnish to the Lessee, at the expense of the Lessee, an opinion of a firm of nationally recognized certified public accountants to the effect that such Schedule has been accurately prepared in accordance with the terms hereof. If such opinion shall indicate that the proposed adjustment to Basic Rents

differs, in the aggregate, from the required adjustments by an amount equal to or greater than 5% of such required adjustment, the cost of such opinion shall be borne by the Owner.

(3) In the event that any dispute should arise as to the calculation of such Basic Rents under Section 3.1(2) (or the related Casualty Values), the Lessee agrees, pending resolution of such dispute, to pay on account of such rentals (or such Casualty Values), on the dates due hereunder, amounts at least equal to the principal and/or interest payable on each such date under Sections 4.3(b), 4.4 and 7.2 of the CSA, but no such payment shall, as between the Lessor and the Lessee, prejudice the right of the Lessor to receive from the Lessee any amount in addition thereto, due and payable hereunder.

(4) Anything in the foregoing provisions of this Section 3.1 to the contrary notwithstanding, the Basic Rents and Casualty Values hereunder (i) shall not be less than amounts which are sufficient to satisfy the obligations of the Owner Trustee under the CSA, notwithstanding any limitation of liability contained therein, (ii) shall not, in the opinion of Tax Counsel (as defined in the Indemnity Agreement), result in the Lease failing to satisfy the guidelines that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions are leases for Federal income tax purposes and (iii) shall not, in the opinion of Tax Counsel, result in the application to the Lease of Section 467(b)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date hereof.

(5) In the event that the Owner shall fail to pay any amounts required to be paid as Deferred Equity by it under Section 19 of the Participation Agreement when due thereunder, the Lessee shall pay, as Prepaid Rent, on each due date thereof an amount equal to the payment which was to have been made by the Owner on such due date as set forth in Appendix B hereto. After making any such payment of Prepaid Rent in such amount, so long as no Event of Default hereunder has occurred and is continuing the Lessee shall be entitled to deduct from each succeeding payment of Basic Rent or Casualty Value an amount equal to the lesser of (i) the sum of (1) the amount of such Prepaid Rent payment not previously reimbursed to Lessee pursuant to Section 19 of the Participation Agreement, not previously deducted by Lessee from payments of Basic Rent or Casualty Value pursuant to this sentence of this Section 3.1(5) or not previously deducted by Lessee from payments pursuant to the

next sentence of this section 3.1(5) plus (2) interest on the amount of such Prepaid Rent payment at the rate of 8% per annum over the Prime Rate from and including the date such Prepaid Rent payment is made by the Lessee to but not including the date on which such Prepaid Rent has been so reimbursed in full to the Lessee, and (ii) the excess, if any, of the amount of such succeeding payment of Basic Rent or Casualty Value, as the case may be, which would then be payable without deduction pursuant to this Section 3.1(5) over, in the case of Basic Rent, the unpaid amount of principal of and interest on the CSA Indebtedness required to be paid by Lessor on the Basic Rent payment date on which such succeeding payment of Basic Rent is scheduled to be made and, in the case of Casualty Value, the unpaid amount of principal of and interest accrued on the CSA Indebtedness to the Casualty Payment Date on which such succeeding payment of Casualty Value is scheduled to be made. In addition, after making any such Prepaid Rent payment, the Lessee shall be entitled to deduct from any other succeeding payment due from the Lessee hereunder or under the Participation Agreement or the Indemnity Agreement to the Owner for its own account or to the Owner Trustee, to the extent that any such payment would be distributable to the Owner, an amount equal to the sum of the amount of such payment of Prepaid Rent not previously reimbursed to Lessee pursuant to Section 19 of the Participation Agreement, not previously deducted by Lessee from payments of Basic Rent or Casualty Value pursuant to the preceding sentence of this Section 3.1(5) or not previously deducted by Lessee pursuant to this sentence of Section 3.1(5), plus interest on the amount of such Prepaid Rent payment at the rate of 8% per annum over the Prime Rate from and including the date of such prepayment to but excluding the date of such deduction by Lessee. For purpose of this Section 3.1(5), "Prime Rate" shall mean a fluctuating rate of interest equal to the rate per annum announced publicly by The Chase Manhattan Bank, N.A., from time to time as its base rate.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in Section 3.1 or Casualty Payment Date referred to in Section 7.1 is not a business day, the payment otherwise payable on such date shall be payable on the next business day, and no interest shall be payable thereon for the period from and after the scheduled date for payment thereof to such next business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Hartford, Connecticut, St. Paul, Minnesota, or Reading, Pennsylvania are authorized or obligated to remain closed.

3.3. Payment in Immediately Available Funds. The Lessee agrees to make each payment provided for herein as contemplated by Section 3.1 in immediately available funds at or prior to 11:00 a.m. in the city where such payment is to be made.

SECTION 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit under the CSA and, subject to the provisions of Sections 7, 13 and 16 hereof, shall terminate on the date which is the six month anniversary after the date on which the final payment of rent in respect thereof is due pursuant to Section 3.1 or Section 16.1 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 6, 7, 10, 11, 12, 14, 17 and 19 hereof) shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease without affecting the indemnities which by the provisions of this Lease survive the termination of its term (or rescind its termination), all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments as defined in the Lease Assignment in accordance therewith, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under Section 15 hereof.

SECTION 5. IDENTIFICATION MARKS

5.1. Identifying Numbers; Legend; Changes. The Lessee will cause each Unit to be kept numbered with the road number set forth in Appendix A hereto, or in the case of any Unit not there listed such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "SUBJECT TO A SECURITY AGREEMENT FILED

WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

5.2. Insignia of Lessee. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee, but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

SECTION 6. TAXES

6.1. Indemnification for Nonincome Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, and to indemnify and hold the Lessor (both in its individual and fiduciary capacities), the Owner, the Vendor and each Investor and their respective successors, assigns, agents and servants ("Indemnified Persons") harmless on an after-tax basis from, all taxes, assessments, withholdings, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor, the Owner, the Vendor, any Investor, the Lessee, the trust estate created by the Trust Agreement or otherwise, by any Federal, state

or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to, any Unit or any part thereof; the manufacture, purchase, ownership, delivery, leasing, subleasing, possession, use, operation, transfer of title, sale, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease, the Trust Agreement, the Participation Agreement, the CSA, the CSA Assignment, the Lease Assignment, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to property held in trust by the Lessor under the Trust Agreement (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however, with respect to each Indemnified Person: (i) Taxes (other than Taxes in the nature of sales or use taxes) imposed on the net or gross income or gross receipts of such Indemnified Person (or franchise taxes imposed on such Indemnified Person to the extent that they are taxes in lieu of net income taxes) by the United States or by any state or political subdivision thereof in which such Indemnified Person's principal place of business is located or in which such Indemnified Person is subject to net income tax by reason of engaging in business in such jurisdiction (other than the leasing of Equipment located therein); provided that Taxes of any foreign country or subdivision thereof incurred as a result of the Indemnified Person being taxed by such foreign country or subdivision on its world-wide income without regard to the transactions contemplated by this Lease shall be excluded in all cases, whether or not the Indemnified Person is entitled to a credit against its United States Federal income taxes; (ii) Taxes on any items of tax preference or any minimum tax; (iii) any Taxes imposed as a direct result of a voluntary or involuntary transfer or other disposition by the Trustee (other than in connection with the exercise of any remedy for an Event of Default which shall have occurred and be continuing at the time of such transfer or other disposition) or any transfer or disposition by the Owner Trustee resulting from bankruptcy or other proceedings for the relief of debtors in which the Trustee is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Lease, in each case other than with respect to a transfer or disposition to or at the request of the Lessee or any of its affiliates; (iv) Taxes imposed by any jurisdiction to the extent that such Taxes would not have been imposed on such Indemnified Person but for activities in such jurisdiction

by such Indemnified Person commencing after the Closing Date and unrelated to the transactions contemplated hereby; (v) Taxes resulting from the misconduct or negligence of such Indemnified Person; (vi) Taxes in the nature of franchise taxes, value added taxes (other than in the nature of sales or use taxes), capital stock taxes, net worth taxes or taxes on doing business; (vii) Taxes incurred by such Indemnified Person as a result of its own bankruptcy; and (viii) any Taxes imposed on or measured by any fees or compensation received by the Lessor or the Vendor; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in Section 6.2 hereof. The Lessee further agrees to pay on or before the time or times prescribed by law any tax imposed on or measured solely by the net income of the Lessee under the laws of the United States or of any state or political subdivision thereof, or of any foreign country or subdivision thereof which, if unpaid, might result in a lien or other encumbrance upon any Unit; provided, however, that the Lessee shall not be required to pay any such tax during the period it may be contesting the same in good faith by appropriate proceedings if (i) in the reasonable opinion of the Lessor and the Vendor such contest or the nonpayment of such tax would not adversely affect the title, property or rights of the Lessor hereunder or of the Vendor under the CSA or (ii) the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Vendor.

6.2 Claims; Contests; Refunds. If claim is made against the Lessor, the Owner or the Vendor for any Taxes indemnified against under this Section 6, such Indemnified Person shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, such Indemnified Person shall, upon receipt of any indemnity satisfactory to it for all its reasonable charges for its services rendered in connection therewith and for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest (or at such Indemnified Person's election and if permitted by law, permit the Lessee to contest in the name of such Indemnified Person) in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. Notwithstanding the foregoing, no proceeding or actions relating to such contest shall

be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Lessor, the Owner or the Vendor in any such proceeding or action) unless (i) in the opinion of the Lessor, the Owner or the Vendor, such contest or the nonpayment of the Taxes would not adversely affect the title, property or rights of the Lessor hereunder or of the Vendor under the CSA or, if there would be such an adverse effect, the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Vendor, and (ii) if the Indemnified Person contests the Tax by making payment thereof and conducting a refund proceeding, the Lessee has advanced to such Indemnified Person as an interest-free loan and with no additional tax cost to such Indemnified Person an amount equal to the Taxes so paid. The Lessee agrees to give the Lessor, the Owner and the Vendor reasonable notice of such contest prior to the commencement thereof. Notwithstanding the foregoing, the Indemnified Person shall not be required to contest, or to continue to contest, the Tax if such Indemnified Person waives its right to indemnification hereunder with respect to the Tax in issue provided that such waiver shall not as a matter of law jeopardize the ability of the Lessee to contest the Tax with respect to a subsequent year should it be asserted in such other year. If the Lessor, the Owner or the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, the Lessor, the Owner or the Vendor, as the case may be, shall pay the Lessee the amount of such refund or interest net of expenses; provided, however, that no such payment shall be required if an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default shall have occurred and be continuing and the amount of such payment shall in no event exceed all amounts previously paid by the Lessee to the appropriate Indemnified Person under this Section 6 reduced by all prior payments by such Indemnified Person to the Lessee pursuant to this sentence.

6.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Lessee under or arising out of this Section 6 (except obligations resulting from the last sentence of Section 6.1), the Lessee will, where permitted to do so under applicable rules and regulations, make and timely file such reports and returns, including exemption certificates or affidavits with respect to any sales or use tax, in such manner as to show the interest of the Lessor and the Vendor in the Units as shall be satisfactory to the Lessor, the

Owner and the Vendor or, where not so permitted, will notify the Lessor, the Vendor and the Owner of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Vendor within a reasonable time prior to the time such reports are to be filed. All costs and expenses (including reasonable legal and accountants' fees and disbursements) of preparing any such return or report shall be borne by the Lessee.

6.4. Withholding. Notwithstanding anything herein to the contrary, all amounts received by the Investors which are furnished by the Lessee shall be free of withholdings of any nature whatsoever, and in the event that any withholding is required, the Lessee shall pay an additional amount such that the net amount actually received by the Lessor (or such other person entitled to receive such amounts under the Documents) after such withholding will equal the full amount of the payment then due. If the Lessee has paid any such additional amount and the corresponding withholding tax is not indemnifiable by the Lessee pursuant to Section 6.1, the Lessee shall notify the Indemnified Person of the amount of such additional payment and provide the Indemnified Person a receipt or other document appropriately evidencing the payment of such withholding tax. Within thirty (30) days of receipt of such notice and documentation, the Indemnified Party shall repay to the Lessee such additional amount together with interest thereon from the date of the Lessee's payment to the date of repayment at a rate equal to the Overdue Rate during such period.

6.5. Survival. All the obligations of the Lessee under this Section 6 shall survive and continue, but only with respect to periods included in the term of this Lease, notwithstanding payment in full of all amounts due under the CSA or the termination of this Lease. Payments due from the Lessee to the Lessor, the Owner or the Vendor under this Section 6 shall be made directly to the party indemnified.

SECTION 7. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE

7.1. Definitions of Casualty Occurrence; Payments. In the event that any Unit of Equipment shall be or become lost, stolen, destroyed or, in the Lessee's good faith opinion, irreparably damaged from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Unit is returned pursuant to Section 14 or Section 17 hereof, or any Unit shall be taken or requisitioned by condemnation or otherwise by the United States

Government for a period (either stated or as reasonably perceived by the Lessee) which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days during the term of this Lease or during any renewal term hereof ("Casualty Occurrence"), the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the second day of the month occurring at least 30 days and not more than 60 days after such Casualty Occurrence occurs (each such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the Casualty Value (as hereinafter defined) of any such Unit as of such Casualty Payment Date; provided, however, that in the event of a Casualty Occurrence during the period any Unit is required to be returned pursuant to Section 14 or Section 17 hereof and the 10 days prior thereto, the Lessee shall make such payment of the Casualty Value, and any earnings or rentals accrued pursuant to Section 14 or Section 17 hereof, to the Lessor on a date 30 days after such Casualty Occurrence. Upon the making of such payment by the Lessee in respect of any Unit, the term of this Lease as to such Unit shall terminate and the Lessee shall, without further act or deed, be entitled to ownership and possession of such Unit.

In addition to the occurrences constituting a Casualty Occurrence under the preceding paragraph, if any Unit shall have been taken or requisitioned by the United States Government or any other governmental entity (collectively "Government") and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the original or any renewal term of this Lease, in which event the Lessee shall promptly and fully notify the Lessor with respect thereto and pay the Lessor an amount equal to the Casualty Value of such Unit as of the end of such term. Following such payment, the Lessee shall be entitled to receive condemnation payments in respect of such Unit up to an amount equal to such Casualty Value and any balance of such payments shall be the property of the Lessor. In the event such Unit shall be returned by a Government prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, then the Lessee shall dispose of such Unit as agent for the Lessor and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall equal such Casualty Value

and the balance of such proceeds shall be promptly paid to the Lessor. In the event such Unit shall be returned by a Government following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, such Unit shall be returned by the Lessee to the Lessor in the manner provided in Section 17 hereof.

7.2. Requisition by the United States Government. In the event of the requisition for use by the United States Government of any Unit for a period which does not exceed the then remaining term of this Lease (except where deemed a Casualty Occurrence pursuant to Section 7.1 hereof), all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred. All payments received at any time by the Lessor or the Lessee from the United States Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided that no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received at any time by the Lessor or the Lessee from the United States Government for the use of such Unit after the term of this Lease or any renewal term thereof shall be paid over or retained by the Lessee.

7.3. Payments After Expiration of Lease. If the date upon which the making of the payment by the Lessee in Section 7.1 hereof in respect of any Unit is required as aforesaid shall be after the term of this Lease or any renewal term thereof in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such term.

7.4. Amount of Casualty Value. The Casualty Value of each Unit as of the Casualty Payment Date on which payment is made shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Appendix B hereto opposite such Casualty Payment Date for each Series of Units.

7.5. No Release. Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

7.6. Insurance To Be Maintained. (1) The Lessee will, at all times prior to the return of the Units to the Lessor at its own expense, cause to be carried and maintained (i) property insurance in respect of the Units at the time subject hereto and (ii) public liability insurance with respect to third-party personal and property damage, and the Lessee will continue to carry such insurance in such amounts and for such risks and with such insurance companies and subject to such self-insurance as is consistent with prudent railroad industry practice but in any event at least, not less comprehensive in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Units, in each case reasonably satisfactory to the Lessor. The proceeds of any property insurance shall be payable to the Vendor, the Lessor, the Owner and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the CSA shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Any policies of insurance carried in accordance with this paragraph shall (x) require 30 days' prior notice of cancellation or material change in coverage to the Lessor and the Vendor and (y) name the Lessor, the Owner and the Vendor as additional named insureds and loss payees as their respective interests may appear and in the event such policies shall contain breach of warranty provisions such policies shall provide that in respect of the interests of the Lessor, the Owner and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor, respectively) and shall insure the Lessor, the Owner and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Vendor, respectively). Prior to the first date of delivery of any Unit pursuant to the CSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 7, the Lessee shall deliver to the Lessor, the Owner and the Vendor a duplicate original of all policies (or in the case of blanket policies, certificates thereof issued by the insurers thereunder) for the insurance maintained pursuant to this Section 7; provided, however, that if the delivery of a formal policy or certificate, as the case may be, is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the formal policy or certificate, as the case may be, upon receipt thereof.

(2) In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option, upon 5 business days prior written notice to the Lessee, provide such insurance and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest from the date of payment thereof, on the amount of the cost to the Lessor of such insurance which the Lessee shall have failed to maintain, at the rate per annum specified in Section 19 hereof.

(3) The Lessor may at its own expense carry insurance with respect to its interest in the Units, provided that such insurance does not prevent the Lessee from carrying insurance required by this Section 7.6 or adversely affect such insurance or the cost thereof. Any insurance payments received from policies maintained by the Lessor shall be retained by the Lessor without reducing or otherwise affecting the Lessee's obligations hereunder.

7.7. Insurance Proceeds and Condemnation Payments. If the Lessor or Lessee shall receive (directly or from the Vendor) any insurance proceeds under insurance required to be maintained by the Lessee hereunder or condemnation payments in respect of such Units suffering a Casualty Occurrence, the Lessor shall use such proceeds or condemnation payments to reimburse the Lessee for its payment of Casualty Value to the Lessor (to the extent the Lessee shall have already paid such Casualty Value), and the balance, if any, of such proceeds or condemnation payments shall be paid over to, or retained by, if it is from insurance carried by the Lessee, the Lessee or, if it is from any other source (other than insurance maintained by the Lessor), the Lessor and the Lessee as their respective interests may appear; provided, however, that no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Units, to the Lessor. All insurance proceeds received by the Lessor (directly or from the Vendor) under insurance required to be maintained by the Lessee hereunder in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

7.8. Application of Payments During Default. Any amount referred to in Section 7.1, 7.2 or 7.7 that is payable to the Lessee shall not be paid to the Lessee if at the time of such payment an Event of Default (or other event which with the giving of notice or the lapse of time or both would become such an Event of Default) exists but shall be held by the Vendor or, if the CSA Indebtedness and other amounts owing under the CSA shall have been paid in full, the Lessor, as security for the obligations of the Lessee under this Lease and at such time as any such Event of Default (or other event which with the giving of notice or the lapse of time or both would become such an Event of Default) is not continuing, such amount, unless theretofore otherwise applied in exercise of the Lessor's remedies hereunder, shall be paid to the Lessee.

SECTION 8. REPORTS

On or before April 1 in each year, commencing with the calendar year 1989, the Lessee will furnish to the Lessor, the Owner and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the total number, description and road numbers of all Units then leased hereunder and covered by the CSA, the total number, description and road numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5.1 hereof have been preserved or replaced. The Lessor, the Vendor and the Owner shall each have the right (but not any obligation) by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor, the Vendor or the Owner may request during the continuance of this Lease.

SECTION 9. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE, HAS NOT MADE AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL,

EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF NOR AS TO COMPLIANCE WITH SPECIFICATIONS, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), THE ABSENCE OF INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Vendor based on any of the foregoing matters; provided, however, that nothing herein shall in any way bar, reduce or defeat any claim that the Lessee may have against any Builder; provided further, that the Lessor hereby represents and warrants to the Lessee that upon delivery to it of any Unit the Lessor shall have received whatever title was conveyed to it by the Builder thereof and that on the Closing Date (as defined in the CSA) the Units being settled for shall be free of any and all liens, charges, security interests or encumbrances resulting from claims against the Lessor not related to the ownership of the Units or the administration of the Trust Estate (as defined in the Trust Agreement) or any other transaction contemplated by the Trust Documents (as defined in the Trust Agreement).

SECTION 10. LAWS AND RULES

10.1. Compliance. The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all

respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation, possession or use of the Units or are necessary to comply with health, safety or environmental standards, and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner if (i) in the reasonable opinion of the Lessor or the Vendor, such contest will not adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the CSA or (ii) the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Vendor.

10.2. Reports by Lessor. The Lessee will prepare and deliver to the Lessor and the Vendor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor and the Vendor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

SECTION 11. MAINTENANCE

11.1. Units in Good Operating Order. The Lessee will, at its own cost and expense, maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease (a) in accordance with prudent Class I Railroad industry maintenance practices, (b) in a manner consistent with maintenance practices used by the Lessee in respect of equipment owned or leased by the Lessee similar in nature to the Units and (c) in compliance with any and all applicable laws and regulations.

11.2. Additions and Accessions. (1) In addition to the requirements of Sections 10.1 and 11.1 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units and do not adversely and materially affect the value of the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee if removed from the Units prior to the time such Units are returned as provided in Sections 14 and 17, except to the extent such additions, modifications or improvements are made as described in Section 11.2(2) hereof; provided, however, that the Lessee shall at all times own and be entitled to remove proprietary and communications equipment (the cost of which was not included in the Purchase Price of such Unit) from any Unit prior to the return of any Unit as long as such equipment is removable without material damage to such Unit.

(2) Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of its agreements contained in Section 11.2(1) hereof, or (ii) the cost of which is included in the Purchase Price of such Unit, or (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads (if applicable) or by the regulations of the Department of Transportation, the Interstate Commerce Commission or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the CSA and the CSA Assignment) shall immediately be vested in the Lessor.

(3) If a Unit is to be returned to the Lessor pursuant to any provisions of this Lease, the Lessee shall, at the Lessor's written request advise Lessor as to the nature and condition of all severable parts (other than proprietary and communications equipment) which Lessee has or intends to remove from any Unit in accordance with Section 11.2 (1) above. Lessor may, at its option, upon 30 days written notice to Lessee, purchase any or all of such parts from Lessee upon the expiration of the term at the fair market value of such parts.

SECTION 12. INDEMNIFICATION

12.1. Indemnified Persons. The Lessee shall pay, and shall protect, indemnify and hold each Indemnified Person harmless from and against any and all liabilities, obligations, losses, damages, costs, expenses, disbursements, causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever other than taxes which are provided for in Section 6 hereof, whether or not indemnified hereunder, which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses [including without limitation reasonable attorneys' fees and expenses of any Indemnified Person] relating thereto) in any way relating to or arising, or alleged to arise, out of this Lease, the CSA or the Units, including, without limitation, those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, inspection prior to acceptance, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof, (ii) any latent and other defects whether or not discoverable by any Indemnified Person, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, negligence or breach of warranties, (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, inspection prior to acceptance, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof, (vi) any violation of any provision of this Lease (except by the Lessor) or of any agreement, law, rule, regulation, ordinance or restriction affecting or applicable to the Units or the leasing, ownership, use, replacement, adaptation or maintenance thereof, or (vii) any claim arising out of any of the Lessor's or the Vendor's obligations under the Lease Assignment or the Vendor's retention of a security interest under the CSA and the CSA Assignment or the Lease Assignment except to the extent such claim arises from an act or omission of the party claiming indemnification (all of which matters hereinabove set forth in this paragraph being hereinafter called "Indemnified Matters"); provided, however that Indemnified Matters shall not include any such liabilities, losses or expenses resulting from the gross negligence

or willful misconduct of the Owner or resulting from acts arising after the expiration the original or any renewal term of this Lease or arising from a breach by the Owner of the rights of use and possession of the Lessee under Section 15 hereof or resulting from a transfer of any interest of the Owner in the units or in this Lease, unless such transfer arises as a result of an Event of Default hereunder. The Lessee shall be obligated under this Section 12.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same Indemnified Matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this Section 12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation reasonable attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this Section 12, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of any taxing jurisdiction, domestic or foreign, (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor each agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this Section 12 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person (except against another Indemnified Person) in respect of the Indemnified Matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of

any Indemnified Matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 12.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made to such Indemnified Party. Nothing in this Section 12.1 shall constitute a guarantee by the Lessee of the CSA Indebtedness under the CSA or a guarantee of the residual value of any Unit.

12.2. Survival. The indemnities contained in this Section 12 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 12 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

SECTION 13. DEFAULT

13.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal thereof, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment when due of any amount provided for in Section 3, 6, 7, 12, or 16 hereof or pursuant to the Indemnity Agreement, and such default shall continue for 5 business days after written notice from the Lessor or the Vendor to the Lessee;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or the right to possession of the Units, or any thereof;

(C) default shall be made in the observance or performance of any other of the covenants, conditions, understandings and agreements on the part of the Lessee contained herein or in the Participation Agreement or in the Indemnity Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the

default and demanding that the same be remedied; provided, however, that the continuation of such a default for longer than 30 days after such written notice shall not constitute an Event of Default if (a) such default is capable of being cured but cannot be cured within thirty days, (b) the Lessee is diligently pursuing the cure of such default and (c) such default does not impair in any material respect the Lessor's interest in the Units or the security interest of the Vendor created pursuant to the CSA;

(D) any representation or warranty made by the Lessee herein or in the Participation Agreement or in any certificate or statement furnished to the Vendor, the Lessor or the Owner pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

(E) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Lease and the Participation Agreement and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed; or

(F) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Participation Agreement or the Indemnity Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such

stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises, insofar as the Lessee may be lawfully authorized so to permit, where any of the Units may be located, without judicial process if this can be done without breach of the peace and in accordance with due process of law, and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and

also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts that the Lessor, in its sole discretion, shall specify: (i) with respect to each Unit, the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, such present value to be computed on the basis of a 6% per annum discount, compounded semi-annually from the respective dates upon which rental would have been payable hereunder had this Lease not been terminated over the then present value of the rental which the Lessor reasonably estimates to be obtainable for each Unit during such period, such present value to be computed on the basis of a 6% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, if such Unit is sold, the net proceeds of the sale or (ii) an amount equal to the excess, if any, of the Casualty Value as of the Casualty Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit in a commercially reasonable manner, the Lessor, in lieu of collecting any amounts payable by the Lessee pursuant to the preceding clause (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Casualty Payment Date on or next preceding the date of termination over the net proceeds of such sale; or

(c) if the Lessor has terminated this Lease in accordance with paragraph (b) above, as to any Unit which the Lessee did not deliver to the Lessor as required by Section 14 hereof and as to which the Lessor has not obtained possession within 30 days of such termination, Lessor may demand and receive payment of all Supplemental

Rent then owing under the Documents, plus the greater of (x) Casualty Value as of the Casualty Payment Date next succeeding the expiration of such 30-day period, plus interest thereon at the applicable Debt Rate to the date of payment or (y) the amount the Lessor reasonably estimates to be the sales value of such Unit at such time.

In addition to any other remedies provided herein or otherwise available to the Lessor at law or equity, the Lessee shall pay to the Lessor and to any assignee of the Lessor's interest under this Lease as Supplemental Rent all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the repossession, return, storage and insuring of any Unit in accordance with the terms hereof or placing such Unit in the condition required hereunder or appraising the value of such Unit, together with interest thereon at the Overdue Rate from the date of the expenditure to the date of payment.

13.2. Remedies Not Exclusive; Waiver. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset and/or recoupment against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim, which may be asserted by the Lessee or on its behalf.

13.3. Failure To Exercise Rights Is Not Waiver. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

13.4. Notice of Event of Default. The Lessee also agrees to furnish the Lessor, the Owner and the Vendor promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of

Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this Section 13.4, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 14. RETURN OF UNITS UPON DEFAULT

14.1. Return of Units. If this Lease shall terminate pursuant to Section 13 hereof or pursuant to Article 16 of the CSA, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction and shall have attached or affixed thereto any special device considered an accession thereto as provided in Section 11 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in Section 11, is owned by the Lessee. For the purpose of delivering possession of any Unit of Units as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until all such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

14.2. Lessor Appointed Agent of Lessee. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 14, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

SECTION 15. ASSIGNMENT, POSSESSION AND USE

15.1. Assignment; Consent. This Lease shall be assignable in whole by the Lessor to any successor Lessor which may be appointed pursuant to Article VII of the Trust Agreement. The Lessee hereby consents to the assignment of this Lease pursuant to the Lease Assignment.

15.2. Lessee's Rights To Use the Units, To Permit Use Thereof by Others and To Sublease the Units. (1) So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent, and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in

accordance with the terms of this Lease (including, without limitations, all its rights under Section 16 hereof) and the CSA. Without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except as provided in paragraph (2) of this Section 15.2; and the Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of paragraph (2) of this Section 15.2. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units or any encumbrance on the leasehold estate of the Lessee which is subject and subordinate to the interests of the Lessor and the Vendor) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

(2) So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract and shall be entitled to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and shall be entitled to assign or sublease any of the Units to others provided that no such assignment or sublease shall relieve the Lessee from any of its obligations hereunder or result in any adverse tax consequences to the Owner, and only, in each case, upon and subject to all the terms and conditions of this Lease and the CSA; provided, however, that the Lessee shall not permit the use of any Unit predominantly outside the United States of America within the meaning of Section 48(a) and 168(g) of the Internal Revenue Code of 1986, as amended to the date hereof.

SECTION 16. RENEWAL OPTIONS AND
PURCHASE OPTION

16.1. Definitions. The following terms shall have the following meanings for all purposes of this Section 16 and such meanings are equally applicable both to the singular and plural forms of the terms defined.

"Appraisal Procedure" shall mean the following procedure: If the parties are unable to agree on a Fair Market Rental, or a Fair Market Sale Value, as the case may be, within 30 days of Lessee's written notice to Lessor setting forth Lessee's proposal for the rental or purchase price, or if Lessee shall elect to exercise its option for one or more fixed Rental Renewal Terms and the parties are unable to agree upon an appraiser to make the determinations required by Section 16.2(ii)(a) and (b), the Lessee will provide Lessor the name of an appraiser that would be satisfactory to Lessee and the Lessee and Lessor will consult with the intent of selecting a mutually acceptable appraiser. If a mutually acceptable appraiser is selected, the Lessee shall bear the cost thereof. If the Lessee and Lessor are unable to agree upon a single appraiser within 15 days, the Lessor will retain an appraiser within 15 days and the appraiser set forth in Lessee's written notice and the appraiser retained by the Lessor shall select a consensus appraiser within 30 days. If the appraisers cannot agree on a consensus appraiser within such 30 days, the Fair Market Rental, Fair Market Sale Value, or the determinations required by Section 16.1(ii)(a) and (b), as the case may be, shall be determined by binding arbitration pursuant to the rules of the American Arbitration Association and the cost of such determination shall be borne equally by the Lessee and the Lessor, except that the Lessee shall bear the cost of the appraiser named in Lessee's notice and the Lessor shall bear the cost of the appraiser selected by the Lessor. If the parties are able to agree upon a single appraiser, or the two appraisers are able to agree upon a consensus appraiser, the single appraiser or the three appraisers, as the case may be, shall within 60 days make a determination of such Fair Market Rental or Fair Market Sale Value, as the case may be. If there shall be a panel of three appraisers, the appraisal which differs most from the other two appraisals shall be excluded and the remaining two determinations shall be averaged and such average shall constitute the Fair Market Rental Value or Fair Market Sale Value, as appropriate. If there shall be a panel of three appraisers, the Lessee shall bear the cost of the arbitrator named in Lessee's notice, the Lessor shall bear the cost of

the arbitrator selected by the Lessor, and the Lessee and Lessor shall equally share the cost of the consensus appraiser.

"Basic Term" shall mean with respect to the Option Units delivered: (i) through June 30, 1989, the period commencing with the commencement of the lease term and continuing until July 2, 2006, and (ii) after June 30, 1989, the period commencing with the commencement of the lease term and continuing until January 2, 2007.

"Fair Market Rental Renewal Term" shall mean the period commencing at the end of the Basic Term, any Fixed Rental Renewal Term, or any Fair Market Renewal Term, as the case may be, and ending on the date chosen by the Lessee pursuant to Section 16.2, during which the Option Units may be leased for Fair Market Rental Value as permitted by this Lease.

"Fair Market Rental Value" or "Fair Market Sale Value" of any applicable Option Unit as of any date shall mean the cash rent or cash price obtainable in an arm's-length lease or sale, respectively, between an informed and willing lessee or buyer (under no compulsion to lease or purchase) and an informed and willing lessor or seller (under no compulsion to lease or sell) of the applicable Option Unit.

"Fixed Rental Renewal Term" shall mean the period commencing not earlier than July 1, 2006 and ending on the date chosen by Lessee pursuant to Section 16.2 during which the Option Units may be leased as permitted by Section 16.2.

"Renewal Term" shall mean any of the Fixed Rental Renewal Terms or Fair Market Rental Renewal Terms.

16.2. Renewal Options. Unless an Event of Default shall have occurred and be continuing at the time of the giving by Lessee of written notice of Lessee's election to renew the Lease, Lessee shall have the right to renew this Lease with respect to any or all of the following Units then subject to this Lease: (A) all but not less than all of the type GP-39 Units delivered and accepted pursuant to Section 2.1 on or before June 30, 1989; (B) all but not less

than all of the type GP-39 Units delivered and accepted pursuant to Section 2.1 after June 30, 1989; (C) all but not less than all of the type GP-40 Units delivered and accepted pursuant to Section 2.1 on or before June 30, 1989 and (D) all but not less than all of the type GP-40 Units delivered and accepted pursuant to Section 2.1 after June 30, 1989 (the "Option Units") at the end of (a) the Basic Term, for a Fixed Rental Renewal Term or a Fair Market Rental Renewal Term, (b) any Fixed Rental Renewal Term, for one or more additional Fixed Rental Renewal Terms or a Fair Market Rental Renewal Term, and (c) any Fair Market Rental Renewal Term for an additional Fair Market Rental Renewal Term; provided that such written notice shall be provided not less than 180 days prior to the expiration of the Basic Term, any Fixed Rental Renewal Term, or any Fair Market Rental Renewal Term, as the case may be, and (i) the term of any Fixed Rental Renewal Term shall be provided in the notice and the same shall be at least one year and in integral multiples of six months thereafter, (ii) in order to renew for any Fixed Rental Renewal Term, the Lessee shall provide Lessor with an updated appraisal at any time after January 1, 1999, but not later than 180 days prior to the end of the Basic Term stating:

(a) that the aggregate period of the Basic Term and the requested Fixed Rental Renewal Term or in the case of requested additional Fixed Rental Renewal Terms, the Fixed Rental Renewal Term(s) and the requested additional Fixed Rental Renewal Term does not exceed 80% of the useful life of the applicable Option Units;

(b) that the estimated residual value of the relevant Option Units at the end of the then proposed Fixed Rental Renewal Term shall be equal to at least 20% of the Purchase Price (without giving effect to inflation or deflation since the Closing Date for the respective Option Units); and

(iii) in order to renew for any Fair Market Rental Renewal Term, Lessee's written notice to Lessor shall provide the term of the same, which shall be at least one year and in integral multiples of six months thereafter, and a proposed Fair Market Rental. If the Lessee and Lessor are unable to agree upon the Fair Market Rental within 30 days of Lessee's giving such notice, the Fair Market Rental shall be determined by the Appraisal Procedure set forth in Section 16.1.

The rental rate during any Fixed Rental Renewal Term for a particular Option Unit shall be equal to 50% of the average of all of the 34 semi-annual installments of Basic Rent for that Option Unit during the Basic Term. The rental rate during a Fair Market Renewal Term for a particular Option Unit shall equal the Fair Market Rental Value. All rentals for any Fixed Rental Renewal Term or any Fair Market Rental Renewal Term shall be paid semi-annually in arrears.

16.3. Purchase Options. (a) Unless an Event of Default shall have occurred and be continuing at the time of the giving by the Lessee of written notice of its election, Lessee shall have the right upon not less than 180 days prior written notice of Lessee's election to purchase all but not less than all Units of either or both railroad equipment types (GP 39-2 and/or GP 40-2) of the deliveries made through June 30, 1989 and/or the deliveries made subsequent to June 30, 1989, then subject to this Lease (the "Option Units") on the date of expiration of the Basic Term or any Fixed Rental Renewal Term or any Fair Market Rental Renewal Term, at a purchase price equal to the lesser of (i) the Fair Market Sale Value of such Option Units on such expiration date or, (ii) 51% of the Purchase Price of such Option Units.

(b) Lessee shall pay the applicable aforesaid purchase price to the Lessor on the applicable expiration date whereupon the Lessor shall simultaneously transfer or arrange for transfer all of its right, title and interest in and to such Option Units free and clear of any claims, liens, charges or security interests attributable to Lessor or Owner to the Lessee by bill of sale and this Lease shall terminate with respect to the Option Units so purchased.

SECTION 17. RETURN OF UNITS UPON EXPIRATION OF TERM

As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit and in any event not later than 10 days thereafter, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such tracks of the Lessee as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may select and permit the Lessor to store such Unit or such tracks for a period not exceeding 30

days and, upon not less than 15 days prior written notice, transport the same once upon disposition of the Units, at any time within such 30 day period, to any reasonable destination or interchange point on the lines of railroad operated by the Lessee, all as directed by the Lessor, the movement and storage of such Units to be at the expense of the Lessee and risk of the Lessor whereupon the Lessee shall have no further liability or obligation with respect to such Units. The Lessee shall not be obligated to move any such Unit more than once at the request of the Lessor. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 17 shall (i) be in the same condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have attached or affixed thereto any special device considered an accession thereto as provided in Section 11 hereof and have removed therefrom any such device not so considered an accession. During any such storage period the Lessee shall maintain the Units in such manner as the Lessee normally maintains similar units of railroad equipment owned or leased by it in similar storage circumstances. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. In the event any Unit is not assembled, delivered and stored as hereinabove provided as a result of any action or inaction on the part of the Lessee, within 10 days after such termination, the Lessee shall pay to the Lessor, for each day thereafter as liquidated damages, and not as a penalty, for the failure of the Lessee to return the Unit to the Lessor at the expiration of this Lease as required by the provisions of this Section 17, an amount equal to the fair market rental for such Unit at the time of such expiration, for each such day. The provision for such payment shall not be in abrogation of the Lessor's right under this Section 17 to have each Unit

returned to it within 10 days after the expiration of the original or extended term of this Lease with respect to such Unit.

SECTION 18. RECORDING

The Lessee will cause this Lease, the CSA, the CSA Assignment and the Lease Assignment to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit and recording required of the Lessor under the CSA. The Lessee in addition will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all continuation statements and further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Lease Assignment, the CSA and the CSA Assignment; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor; provided, however, that no such opinion of counsel need be furnished in respect of the filing of the CSA or the CSA Assignment in Canada. This Lease, the Lease Assignment, the CSA and the CSA Assignment shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada prior to the delivery and acceptance hereunder of any Unit.

SECTION 19. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay an amount equal to the higher of (a) Debt Rate (as defined in paragraph 4.4 of the CSA) plus 2% or (b) the rate which Citibank, N.A. publicly announces from time to time as its prime rate ("Overdue Rate") of the overdue rentals and other obligations for the

period of time during which they are overdue or such lesser amount as may be legally enforceable.

SECTION 20. LESSOR'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may (but shall not be obligated to do so) upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the Penalty Rate, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or be deemed to cure the default of the Lessee hereunder.

SECTION 21. NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, with a copy to the Owner at its address set forth in Appendix II to the Participation Agreement;

(b) if to the Lessee, at 9401 Indian Creek Parkway, Overland Park, Kansas 66210-9136, Attention of Executive Vice President, with a copy to the same address, attention of Vice President, Transportation,

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing.

SECTION 22. SEVERABILITY

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such

jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 23. EFFECT AND MODIFICATION OF LEASE

Except for the Participation Agreement and the Indemnity Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

SECTION 24. THIRD PARTY BENEFICIARIES

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Owner, the Vendor and the permitted successors and assigns of a party) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 25. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 26. LAW GOVERNING

The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State

of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Section 11303 and Section 86 of the Railway Act of Canada.

SECTION 27. NO RECOURSE AGAINST CERTAIN PERSONS;
NO PERSONAL LIABILITY OF THE LESSOR

27.1. No Recourse Against Certain Persons. No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto or of the Owner whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease.

27.2. No Personal Liability of the Lessor. Anything herein to the contrary notwithstanding, each and all of the representations, warranties and agreements herein made on the part of the financial institution acting as Lessor are each and every one of them made and intended not as personal representations, warranties and agreements by said financial institution in its individual capacity or for the purpose or with the intention of binding said financial institution personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the Lessor solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said financial institution or the Owner on account of any representation, warranty or agreement hereunder of the Lessor, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

SECTION 28. AGREEMENTS FOR BENEFIT OF OWNER
AND OWNER'S AND LESSOR'S ASSIGNS

All rights of the Lessor hereunder shall inure to the benefit of the Owner and any of the Owner's assigns under the Trust Agreement and the Lessor's assigns including the Vendor.

SECTION 29. TERM LESSOR

Whenever the term "Lessor" is used in this Lease it shall apply and refer to the Lessor and any assignee of the Lessor (provided, so long as any CSA Indebtedness under the CSA or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the assignment to the Vendor shall be as set forth in the Lease Assignment).

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

BURLINGTON NORTHERN RAILROAD
COMPANY,

by

Vice President

THE CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION,
as Owner Trustee as aforesaid,

by

Authorized Officer

[Seal]

Attest:

Authorized Officer

the CSA or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the assignment to the Vendor shall be as set forth in the Lease Assignment).

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

BURLINGTON NORTHERN RAILROAD
COMPANY,

by Meredith McManus
Senior Vice President

THE CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION,
as Owner Trustee as aforesaid,

by [Signature]
Authorized Officer



[Signature]
Authorized Officer

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 22nd day of November 1988, before me personally appeared meredith L. McManus, to me personally known, who, being by me duly sworn, says that he is a Vice President of BURLINGTON NORTHERN RAILROAD COMPANY, that said instrument was signed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Caryn W. Sherman
Notary Public

CARYN W. SHERMAN
Notary Public, State of New York
No. 31-4833991

Qualified in New York County
Commission Expires August 31, 1990

[Notarial Seal]

My Commission expires

On this 14th day of December, 1988, before me personally appeared Mason Lemont to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national association and that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.



(Notarial Seal)

Barbara Mulroy
Notary Public

APPENDIX B TO LEASE

Basic Rents for Series A Units

<u>Rental Date</u>	<u>Rent Number</u>	<u>Rent as Percentage of Purchase Price*</u>
7/ 2/1989	0	0.0000000
1/ 2/1990	1	0.0000000
7/ 2/1990	2	9.2859308
1/ 2/1991	3	0.0000000
7/ 2/1991	4	9.2859308
1/ 2/1992	5	0.0000000
7/ 2/1992	6	9.2859308
1/ 2/1993	7	3.5384250
7/ 2/1993	8	5.7475058
1/ 2/1994	9	3.4274187
7/ 2/1994	10	5.8585121
1/ 2/1995	11	3.3052563
7/ 2/1995	12	5.9806745
1/ 2/1996	13	3.1708165
7/ 2/1996	14 + 15	6.1151143
1/ 2/1997	16	11.3494710
7/ 2/1997	17	2.6044536
1/ 2/1998	18	8.7450174
7/ 2/1998	19	2.4682545
1/ 2/1999	20	8.8812164
7/ 2/1999	21	2.2626981
1/ 2/2000	22	9.0867729
7/ 2/2000	23	2.0564599
1/ 2/2001	24	9.2930110
7/ 2/2001	25	1.8380802
1/ 2/2002	26	9.5113907
7/ 2/2002	27	1.6067363
1/ 2/2003	28	9.7427347
7/ 2/2003	29	1.3616309
1/ 2/2004	30	9.9878401
7/ 2/2004	31	0.9288866
1/ 2/2005	32	10.4205844
7/ 2/2005	33	0.4519287
1/ 2/2006	34	10.8975422
TOTALS		178.4962251

Note:

Rents 1-14 are in arrears.

Rents 15-34 are in advance with rent 15 equal to 0.

The foregoing Basic Rents and the related Casualty Values have been calculated on the assumption that (i) the interest rate on this Series of CSA Indebtedness will be 10.05%, (ii) the amount of the Transaction Expenses payable by the Owner pursuant to Paragraph 12(a) of the Participation Agreement will be 1.5% of the aggregate Purchase Price of the Units, (iii) Closings under the CSA will be on the following dates for the following aggregate Purchase Prices of Equipment: December 28, 1988 - \$15,000,000; June 30, 1989 - \$7,500,000 and December 15, 1989 - \$7,500,000 and (iv) there will be no change in the Internal Revenue Code of 1986, as amended, which is enacted and effective, nor any change in the income tax regulations which is adopted, on or prior to any Closing with respect to those Units subject to such Closing.

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE

Basic Rents for Series B Units

<u>Rental Date</u>	<u>Rent Number</u>	<u>Rent as Percentage of Purchase Price*</u>
7/ 2/1989	0	0.0000000
1/ 2/1990	1	0.0000000
7/ 2/1990	2	9.0247625
1/ 2/1991	3	0.0000000
7/ 2/1991	4	9.0247625
1/ 2/1992	5	0.0000000
7/ 2/1992	6	9.0247625
1/ 2/1993	7	3.4930639
7/ 2/1993	8	5.5316986
1/ 2/1994	9	3.3906225
7/ 2/1994	10	5.6341400
1/ 2/1995	11	3.2778858
7/ 2/1995	12	5.7468768
1/ 2/1996	13	3.1538190
7/ 2/1996	14 + 15	5.8709436
1/ 2/1997	16	11.0302653
7/ 2/1997	17	2.6146311
1/ 2/1998	18	8.4156342
7/ 2/1998	19	2.3999066
1/ 2/1999	20	8.6303588
7/ 2/1999	21	2.2163256
1/ 2/2000	22	8.8139397
7/ 2/2000	23	2.0166084
1/ 2/2001	24	9.0136569
7/ 2/2001	25	1.8049677
1/ 2/2002	26	9.2252976
7/ 2/2002	27	1.5807048
1/ 2/2003	28	9.4495605
7/ 2/2003	29	1.3024425
1/ 2/2004	30	9.7278228
7/ 2/2004	31	0.8790671
1/ 2/2005	32	10.1511982
7/ 2/2005	33	0.4131426
1/ 2/2006	34	10.6171228
TOTALS		173.4759912

Note:

Rents 1-14 are in arrears.

Rents 15-34 are in advance with rent 15 equal to 0.

The foregoing Basic Rents and the related Casualty Values have been calculated on the assumption that (i) the interest rate on this Series of CSA Indebtedness will be 10.05%, (ii) the amount of the Transaction Expenses payable by the Owner pursuant to Paragraph 12(a) of the Participation Agreement will be 1.5% of the aggregate Purchase Price of the Units, (iii) Closings under the CSA will be on the following dates for the following aggregate Purchase Prices of Equipment: December 28, 1988 - \$15,000,000; June 30, 1989 - \$7,500,000 and December 15, 1989 - \$7,500,000 and (iv) there will be no change in the Internal Revenue Code of 1986, as amended, which is enacted and effective, nor any change in the income tax regulations which is adopted, on or prior to any Closing with respect to those Units subject to such Closing.

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE

Basic Rents for Series C Units

<u>Rental Date</u>	<u>Rent Number</u>	<u>Rent as Percentage of Purchase Price*</u>
1/ 2/1990	0	0.0000000
7/ 2/1990	1	7.7199807
1/ 2/1991	2	1.3127719
7/ 2/1991	3	7.1752511
1/ 2/1992	4	1.8575016
7/ 2/1992	5	0.0000000
1/ 2/1993	6	9.0327527
7/ 2/1993	7	3.4495257
1/ 2/1994	8	5.5832270
7/ 2/1994	9	3.3423072
1/ 2/1995	10	5.6904455
7/ 2/1995	11	3.2243132
1/ 2/1996	12	5.8084394
7/ 2/1996	13	3.0944609
1/ 2/1997	14	5.9382918
7/ 2/1997	15	2.9515584
1/ 2/1998	16 + 17	6.0811943
7/ 2/1998	18	11.0400310
1/ 2/1999	19	3.5118307
7/ 2/1999	20	7.5282003
1/ 2/2000	21	3.4204529
7/ 2/2000	22	7.6195781
1/ 2/2001	23	3.2961088
7/ 2/2001	24	7.7439223
1/ 2/2002	25	8.5372765
7/ 2/2002	26	2.5027545
1/ 2/2003	27	9.8434753
7/ 2/2003	28	1.1965557
1/ 2/2004	29	10.3009723
7/ 2/2004	30	0.7390588
1/ 2/2005	31	10.8068803
7/ 2/2005	32	0.2331507
1/ 2/2006	33	11.0400310
7/ 2/2006	34	0.0000000
TOTALS		171.6223005

Note:

Rents 1-16 are in arrears.

Rents 17-34 are in advance with rent 17 equal to 0.

The foregoing Basic Rents and the related Casualty Values have been calculated on the assumption that (i) the interest rate on this Series of CSA Indebtedness will be 10.05%, (ii) the amount of the Transaction Expenses payable by the Owner pursuant to Paragraph 12(a) of the Participation Agreement will be 1.5% of the aggregate Purchase Price of the Units, (iii) Closings under the CSA will be on the following dates for the following aggregate Purchase Prices of Equipment: December 28, 1988 - \$15,000,000; June 30, 1989 - \$7,500,000 and December 15, 1989 - \$7,500,000 and (iv) there will be no change in the Internal Revenue Code of 1986, as amended, which is enacted and effective, nor any change in the income tax regulations which is adopted, on or prior to any Closing with respect to those Units subject to such Closing.

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE (Continued)

Deferred Equity for Series A Units

<u>Date</u>	<u>Percentage of Purchase Price*</u>
7/2/89	4.1093333
1/2/90	4.0200000
7/2/90	- 0 -
1/2/91	4.0200000
7/2/91	- 0 -
1/2/92	4.0056154
7/2/92	4.0170054

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE (Continued)

Deferred Equity for Series B Units

<u>Date</u>	<u>Percentage of Purchase Price*</u>
7/2/89	0.0446667
1/2/90	4.0200000
7/2/90	- 0 -
1/2/91	4.0200000
7/2/91	- 0 -
1/2/92	4.4784887
7/2/92	5.0000000

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE (Continued)

Deferred Equity for Series C Units

<u>Date</u>	<u>Percentage of Purchase Price*</u>
1/2/90	0.3778411
7/2/90	- 0 -
1/2/91	2.6878990
7/2/91	- 0 -
1/2/92	2.1431694
7/2/92	4.8918719
1/2/93	5.0000000

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series A Equipment

Casualty Payment Dates*	Percentage of Purchase Price*	Casualty Payment Dates*	Percentage of Purchase Price*
2 JUL 1989	106.94502	2 JAN 1996	110.99320
2 AUG 1989	107.66616	2 FEB 1996	108.35738
2 SEP 1989	108.38740	2 MAR 1996	108.89239
2 OCT 1989	109.10324	2 APR 1996	109.42716
2 NOV 1989	109.81916	2 MAY 1996	109.96187
2 DEC 1989	110.53518	2 JUN 1996	110.49660
2 JAN 1990	121.35185	2 JUL 1996	111.03129
2 FEB 1990	122.08438	2 AUG 1996	105.42621
2 MAR 1990	122.81704	2 SEP 1996	105.93626
2 APR 1990	123.54686	2 OCT 1996	106.44625
2 MAY 1990	124.27190	2 NOV 1996	106.95627
2 JUN 1990	124.99705	2 DEC 1996	107.46629
2 JUL 1990	125.71743	2 JAN 1997	107.97626
2 AUG 1990	117.13463	2 FEB 1997	97.06704
2 SEP 1990	117.83783	2 MAR 1997	97.50731
2 OCT 1990	118.53621	2 APR 1997	97.94756
2 NOV 1990	119.23465	2 MAY 1997	98.39038
2 DEC 1990	119.93314	2 JUN 1997	98.83322
2 JAN 1991	120.62680	2 JUL 1997	99.27865
2 FEB 1991	121.33374	2 AUG 1997	97.11964
2 MAR 1991	122.04075	2 SEP 1997	97.56511
2 APR 1991	122.74566	2 OCT 1997	98.01317
2 MAY 1991	123.44724	2 NOV 1997	98.46126
2 JUN 1991	124.14889	2 DEC 1997	98.90937
2 JUL 1991	124.84721	2 JAN 1998	99.36007
2 AUG 1991	116.24086	2 FEB 1998	91.03180
2 SEP 1991	116.92047	2 MAR 1998	91.44856
2 OCT 1991	117.59671	2 APR 1998	91.86647
2 NOV 1991	118.27296	2 MAY 1998	92.28622
2 DEC 1991	118.94923	2 JUN 1998	92.70598
2 JAN 1992	119.62213	2 JUL 1998	93.12760
2 FEB 1992	120.30822	2 AUG 1998	91.08097
2 MAR 1992	120.99435	2 SEP 1998	91.50263
2 APR 1992	121.67900	2 OCT 1998	91.92613
2 MAY 1992	122.36256	2 NOV 1998	92.34965
2 JUN 1992	123.04614	2 DEC 1998	92.77320
2 JUL 1992	123.72862	2 JAN 1999	93.19861
2 AUG 1992	115.06055	2 FEB 1999	84.70092
2 SEP 1992	115.67848	2 MAR 1999	85.08445
2 OCT 1992	116.29532	2 APR 1999	85.46882
2 NOV 1992	116.91221	2 MAY 1999	85.85513
2 DEC 1992	117.52916	2 JUN 1999	86.24146
2 JAN 1993	118.14502	2 JUL 1999	86.62974
2 FEB 1993	115.22252	2 AUG 1999	84.75534
2 MAR 1993	115.83848	2 SEP 1999	85.14366
2 APR 1993	116.45400	2 OCT 1999	85.53393
2 MAY 1993	117.06752	2 NOV 1999	85.92423
2 JUN 1993	117.68108	2 DEC 1999	86.31456
2 JUL 1993	118.29265	2 JAN 2000	86.70684
2 AUG 1993	113.13826	2 FEB 2000	77.96906
2 SEP 1993	113.73141	2 MAR 2000	78.31806
2 OCT 1993	114.32256	2 APR 2000	78.66793
2 NOV 1993	114.91375	2 MAY 2000	79.01986
2 DEC 1993	115.50498	2 JUN 2000	79.37182
2 JAN 1994	116.09420	2 JUL 2000	79.72585
2 FEB 1994	113.25604	2 AUG 2000	78.02344
2 MAR 1994	113.84533	2 SEP 2000	78.37751
2 APR 1994	114.43375	2 OCT 2000	78.73366
2 MAY 1994	115.02022	2 NOV 2000	79.08984
2 JUN 1994	115.60672	2 DEC 2000	79.44604
2 JUL 1994	116.19128	2 JAN 2001	79.80432
2 AUG 1994	110.89699	2 FEB 2001	70.82371
2 SEP 1994	111.46123	2 MAR 2001	71.13612
2 OCT 1994	112.02353	2 APR 2001	71.44946
2 NOV 1994	112.58584	2 MAY 2001	71.76499
2 DEC 1994	113.14818	2 JUN 2001	72.08054
2 JAN 1995	113.70856	2 JUL 2001	72.39829
2 FEB 1995	110.96370	2 AUG 2001	70.87798
2 MAR 1995	111.52412	2 SEP 2001	71.19577
2 APR 1995	112.08368	2 OCT 2001	71.51576
2 MAY 1995	112.64268	2 NOV 2001	71.83579
2 JUN 1995	113.20169	2 DEC 2001	72.15584
2 JUL 1995	113.76015	2 JAN 2002	72.47809
2 AUG 1995	108.31554	2 FEB 2002	63.24033
2 SEP 1995	108.85162	2 MAR 2002	63.51397
2 OCT 1995	109.38714	2 APR 2002	63.78859
2 NOV 1995	109.92267	2 MAY 2002	64.06554
2 DEC 1995	110.45821	2 JUN 2002	64.34250

* As defined in Paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series A Equipment

Casualty Payment Dates*	Percentage of Purchase Price*
2 JUL 2002	64.62180
2 AUG 2002	63.29438
2 SEP 2002	63.57373
2 OCT 2002	63.85541
2 NOV 2002	64.13712
2 DEC 2002	64.41885
2 JAN 2003	64.70293
2 FEB 2003	55.19273
2 MAR 2003	55.42527
2 APR 2003	55.65886
2 MAY 2003	55.89491
2 JUN 2003	56.13098
2 JUL 2003	56.36953
2 AUG 2003	55.24647
2 SEP 2003	55.48506
2 OCT 2003	55.72613
2 NOV 2003	55.96723
2 DEC 2003	56.20836
2 JAN 2004	56.45197
2 FEB 2004	46.63560
2 MAR 2004	46.80711
2 APR 2004	46.97974
2 MAY 2004	47.15506
2 JUN 2004	47.33043
2 JUL 2004	47.50849
2 AUG 2004	46.75772
2 SEP 2004	46.93587
2 OCT 2004	47.11673
2 NOV 2004	47.29764
2 DEC 2004	47.47860
2 JAN 2005	47.66228
2 FEB 2005	37.34593
2 MAR 2005	37.45022
2 APR 2005	37.55575
2 MAY 2005	37.66427
2 JUN 2005	37.77286
2 JUL 2005	37.88444
2 AUG 2005	37.54417
2 SEP 2005	37.65589
2 OCT 2005	37.77061
2 NOV 2005	37.88542
2 DEC 2005	38.00030
2 JAN 2006	38.11819
2 FEB 2006	27.25851
2 MAR 2006	27.29646
2 APR 2006	27.33578
2 MAY 2006	27.38661
2 JUN 2006	27.43754
2 JUL 2006	27.50000

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series B Equipment

Casualty Payment Dates*	Percentage of Purchase Price*	Casualty Payment Dates*	Percentage of Purchase Price*
2 JUL 1989	102.69514	2 JAN 1996	106.09159
2 AUG 1989	103.51672	2 FEB 1996	103.47564
2 SEP 1989	104.33908	2 MAR 1996	104.01357
2 OCT 1989	105.15131	2 APR 1996	104.54925
2 NOV 1989	105.96427	2 MAY 1996	105.08114
2 DEC 1989	106.77798	2 JUN 1996	105.61305
2 JAN 1990	111.70063	2 JUL 1996	106.14114
2 FEB 1990	112.56828	2 AUG 1996	100.77555
2 MAR 1990	113.43694	2 SEP 1996	101.28091
2 APR 1990	114.30222	2 OCT 1996	101.78379
2 MAY 1990	115.14989	2 NOV 1996	102.28667
2 JUN 1990	115.99847	2 DEC 1996	102.78955
2 JUL 1990	116.82935	2 JAN 1997	103.29243
2 AUG 1990	108.59278	2 FEB 1997	92.69794
2 SEP 1990	109.38159	2 MAR 1997	93.13371
2 OCT 1990	110.15239	2 APR 1997	93.56948
2 NOV 1990	110.92370	2 MAY 1997	94.00526
2 DEC 1990	111.69554	2 JUN 1997	94.44103
2 JAN 1991	112.44928	2 JUL 1997	94.88290
2 FEB 1991	113.23841	2 AUG 1997	92.71016
2 MAR 1991	114.02815	2 SEP 1997	93.15210
2 APR 1991	114.81024	2 OCT 1997	93.60057
2 MAY 1991	115.57979	2 NOV 1997	94.04912
2 JUN 1991	116.34985	2 DEC 1997	94.49773
2 JUL 1991	117.10731	2 JAN 1998	94.95291
2 AUG 1991	108.79695	2 FEB 1998	86.94350
2 SEP 1991	109.51157	2 MAR 1998	87.34975
2 OCT 1991	110.21331	2 APR 1998	87.75892
2 NOV 1991	110.91522	2 MAY 1998	88.17277
2 DEC 1991	111.61729	2 JUN 1998	88.58669
2 JAN 1992	112.30640	2 JUL 1998	89.00530
2 FEB 1992	113.03072	2 AUG 1998	87.02410
2 MAR 1992	113.75533	2 SEP 1998	87.44291
2 APR 1992	114.47442	2 OCT 1998	87.86644
2 MAY 1992	115.18777	2 NOV 1998	88.29009
2 JUN 1992	115.90136	2 DEC 1998	88.71386
2 JUL 1992	116.60918	2 JAN 1999	89.14238
2 AUG 1992	108.25195	2 FEB 1999	80.88769
2 SEP 1992	108.91993	2 MAR 1999	81.26338
2 OCT 1992	109.58233	2 APR 1999	81.64116
2 NOV 1992	110.24516	2 MAY 1999	82.02393
2 DEC 1992	110.90840	2 JUN 1999	82.40676
2 JAN 1993	111.56604	2 JUL 1999	82.79460
2 FEB 1993	108.73101	2 AUG 1999	80.96621
2 MAR 1993	109.38944	2 SEP 1999	81.35424
2 APR 1993	110.04560	2 OCT 1999	81.74730
2 MAY 1993	110.69659	2 NOV 1999	82.14049
2 JUN 1993	111.34795	2 DEC 1999	82.53380
2 JUL 1993	111.99412	2 JAN 2000	82.93217
2 AUG 1993	107.09185	2 FEB 2000	74.46066
2 SEP 1993	107.72162	2 MAR 2000	74.80312
2 OCT 1993	108.34617	2 APR 2000	75.14781
2 NOV 1993	108.97104	2 MAY 2000	75.49778
2 DEC 1993	109.59622	2 JUN 2000	75.84782
2 JAN 1994	110.21617	2 JUL 2000	76.20318
2 FEB 1994	107.44578	2 AUG 2000	74.54202
2 MAR 1994	108.06630	2 SEP 2000	74.89757
2 APR 1994	108.68465	2 OCT 2000	75.25847
2 MAY 1994	109.29789	2 NOV 2000	75.61949
2 JUN 1994	109.91138	2 DEC 2000	75.98064
2 JUL 1994	110.51975	2 JAN 2001	76.34716
2 AUG 1994	105.47541	2 FEB 2001	67.64069
2 SEP 1994	106.06543	2 MAR 2001	67.94791
2 OCT 1994	106.65030	2 APR 2001	68.25749
2 NOV 1994	107.23538	2 MAY 2001	68.57268
2 DEC 1994	107.82065	2 JUN 2001	68.88795
2 JAN 1995	108.40075	2 JUL 2001	69.20885
2 FEB 1995	105.70313	2 AUG 2001	67.72488
2 MAR 1995	106.28358	2 SEP 2001	68.04600
2 APR 1995	106.86182	2 OCT 2001	68.37277
2 MAY 1995	107.43501	2 NOV 2001	68.69969
2 JUN 1995	108.00835	2 DEC 2001	69.02673
2 JUL 1995	108.57663	2 JAN 2002	69.35948
2 AUG 1995	103.37746	2 FEB 2002	60.40401
2 SEP 1995	103.92529	2 MAR 2002	60.67386
2 OCT 1995	104.46803	2 APR 2002	60.94622
2 NOV 1995	105.01086	2 MAY 2002	61.22453
2 DEC 1995	105.55378	2 JUN 2002	61.50292

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series B Equipment

Casualty Payment Dates*	Percentage of Purchase Price*
2 JUL 2002	61.78729
2 AUG 2002	60.49107
2 SEP 2002	60.77566
2 OCT 2002	61.06626
2 NOV 2002	61.35701
2 DEC 2002	61.64790
2 JAN 2003	61.94484
2 FEB 2003	52.72574
2 MAR 2003	52.95627
2 APR 2003	53.18950
2 MAY 2003	53.42911
2 JUN 2003	53.66884
2 JUL 2003	53.91499
2 AUG 2003	52.85885
2 SEP 2003	53.10530
2 OCT 2003	53.35821
2 NOV 2003	53.61130
2 DEC 2003	53.86458
2 JAN 2004	54.12435
2 FEB 2004	44.58596
2 MAR 2004	44.77561
2 APR 2004	44.96829
2 MAY 2004	45.16806
2 JUN 2004	45.36810
2 JUL 2004	45.57528
2 AUG 2004	44.90371
2 SEP 2004	45.11152
2 OCT 2004	45.32650
2 NOV 2004	45.54184
2 DEC 2004	45.75753
2 JAN 2005	45.98044
2 FEB 2005	35.97489
2 MAR 2005	36.12094
2 APR 2005	36.27044
2 MAY 2005	36.42791
2 JUN 2005	36.58584
2 JUL 2005	36.75179
2 AUG 2005	36.50510
2 SEP 2005	36.67206
2 OCT 2005	36.84708
2 NOV 2005	37.02265
2 DEC 2005	37.19878
2 JAN 2006	37.38302
2 FEB 2006	26.86464
2 MAR 2006	26.96390
2 APR 2006	27.06703
2 MAY 2006	27.20067
2 JUN 2006	27.33500
2 JUL 2006	27.50000

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series C Equipment

Casualty Payment Dates*	Percentage of Purchase Price*	Casualty Payment Dates*	Percentage of Purchase Price*
2 JAN 1990	106.17955	2 JUL 1996	103.79432
2 FEB 1990	107.04591	2 AUG 1996	101.22256
2 MAR 1990	107.91348	2 SEP 1996	101.74529
2 APR 1990	108.77817	2 OCT 1996	102.26645
2 MAY 1990	109.62242	2 NOV 1996	102.78765
2 JUN 1990	110.46775	2 DEC 1996	103.30888
2 JUL 1990	111.29253	2 JAN 1997	103.82852
2 AUG 1990	104.36067	2 FEB 1997	98.33607
2 SEP 1990	105.14953	2 MAR 1997	98.88194
2 OCT 1990	105.91749	2 APR 1997	99.37712
2 NOV 1990	106.68607	2 MAY 1997	99.87505
2 DEC 1990	107.45526	2 JUN 1997	100.37301
2 JAN 1991	108.20344	2 JUL 1997	100.87374
2 FEB 1991	107.66651	2 AUG 1997	98.42297
2 MAR 1991	108.44301	2 SEP 1997	98.92380
2 APR 1991	109.21057	2 OCT 1997	99.42743
2 MAY 1991	109.96351	2 NOV 1997	99.93112
2 JUN 1991	110.71698	2 DEC 1997	100.43488
2 JUL 1991	111.45575	2 JAN 1998	100.94145
2 AUG 1991	104.98760	2 FEB 1998	95.33976
2 SEP 1991	105.69496	2 MAR 1998	95.81932
2 OCT 1991	106.38734	2 APR 1998	96.30015
2 NOV 1991	107.07987	2 MAY 1998	96.78621
2 DEC 1991	107.77256	2 JUN 1998	97.27237
2 JAN 1992	108.45020	2 JUL 1998	97.76378
2 FEB 1992	107.29206	2 AUG 1998	87.14444
2 MAR 1992	107.99162	2 SEP 1998	87.56519
2 APR 1992	108.68462	2 OCT 1998	87.99115
2 MAY 1992	109.36714	2 NOV 1998	88.41721
2 JUN 1992	110.04976	2 DEC 1998	88.84336
2 JUL 1992	110.72184	2 JAN 1999	89.27476
2 AUG 1992	111.43595	2 FEB 1999	86.18389
2 SEP 1992	112.15039	2 MAR 1999	86.60490
2 OCT 1992	112.85453	2 APR 1999	87.02828
2 NOV 1992	113.55894	2 MAY 1999	87.45735
2 DEC 1992	114.26363	2 JUN 1999	87.88653
2 JAN 1993	114.95796	2 JUL 1999	88.32145
2 FEB 1993	106.58590	2 AUG 1999	81.18355
2 MAR 1993	107.24712	2 SEP 1999	81.57391
2 APR 1993	107.90413	2 OCT 1999	81.96996
2 MAY 1993	108.55529	2 NOV 1999	82.36611
2 JUN 1993	109.20692	2 DEC 1999	82.76235
2 JUL 1993	109.85267	2 JAN 2000	83.16431
2 AUG 1993	107.04932	2 FEB 2000	80.13444
2 SEP 1993	107.69593	2 MAR 2000	80.52509
2 OCT 1993	108.33663	2 APR 2000	80.91829
2 NOV 1993	108.97773	2 MAY 2000	81.31756
2 DEC 1993	109.61922	2 JUN 2000	81.71694
2 JAN 1994	110.25478	2 JUL 2000	82.12241
2 FEB 1994	105.28961	2 AUG 2000	74.86121
2 MAR 1994	105.90803	2 SEP 2000	75.21965
2 APR 1994	106.52401	2 OCT 2000	75.58414
2 MAY 1994	107.13418	2 NOV 2000	75.94873
2 JUN 1994	107.74467	2 DEC 2000	76.31342
2 JUL 1994	108.34933	2 JAN 2001	76.68419
2 AUG 1994	105.61196	2 FEB 2001	73.74676
2 SEP 1994	106.21719	2 MAR 2001	74.10550
2 OCT 1994	106.81655	2 APR 2001	74.46697
2 NOV 1994	107.41617	2 MAY 2001	74.83486
2 DEC 1994	108.01605	2 JUN 2001	75.20288
2 JAN 1995	108.61002	2 JUL 2001	75.57736
2 FEB 1995	103.49410	2 AUG 2001	68.15801
2 MAR 1995	104.06886	2 SEP 2001	68.48265
2 APR 1995	104.64110	2 OCT 2001	68.81370
2 MAY 1995	105.20761	2 NOV 2001	69.14486
2 JUN 1995	105.77429	2 DEC 2001	69.47613
2 JUL 1995	106.33521	2 JAN 2002	69.81384
2 AUG 1995	103.67196	2 FEB 2002	61.55645
2 SEP 1995	104.23316	2 MAR 2002	61.83641
2 OCT 1995	104.78856	2 APR 2002	62.11925
2 NOV 1995	105.34407	2 MAY 2002	62.40921
2 DEC 1995	105.89969	2 JUN 2002	62.69930
2 JAN 1996	106.44948	2 JUL 2002	62.99655
2 FEB 1996	101.16926	2 AUG 2002	60.78219
2 MAR 1996	101.69755	2 SEP 2002	61.07071
2 APR 1996	102.22328	2 OCT 2002	61.36638
2 MAY 1996	102.74745	2 NOV 2002	61.66222
2 JUN 1996	103.27167	2 DEC 2002	61.95822

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series C Equipment

Casualty Payment Dates*	Percentage of Purchase Price*
2 JAN 2003	62.26141
2 FEB 2003	52.65239
2 MAR 2003	52.88705
2 APR 2003	53.12505
2 MAY 2003	53.37107
2 JUN 2003	53.61736
2 JUL 2003	53.87173
2 AUG 2003	52.92987
2 SEP 2003	53.18490
2 OCT 2003	53.44806
2 NOV 2003	53.71159
2 DEC 2003	53.97552
2 JAN 2004	54.24762
2 FEB 2004	44.14293
2 MAR 2004	44.33966
2 APR 2004	44.54030
2 MAY 2004	44.75002
2 JUN 2004	44.96027
2 JUL 2004	45.17966
2 AUG 2004	44.66058
2 SEP 2004	44.88114
2 OCT 2004	45.11092
2 NOV 2004	45.34133
2 DEC 2004	45.57240
2 JAN 2005	45.81273
2 FEB 2005	35.16258
2 MAR 2005	35.32002
2 APR 2005	35.48201
2 MAY 2005	35.65429
2 JUN 2005	35.82738
2 JUL 2005	36.01082
2 AUG 2005	35.96199
2 SEP 2005	36.14719
2 OCT 2005	36.34282
2 NOV 2005	36.53940
2 DEC 2005	36.73693
2 JAN 2006	36.94497
2 FEB 2006	26.01279
2 MAR 2006	26.12129
2 APR 2006	26.23469
2 MAY 2006	26.35876
2 JUN 2006	26.48357
2 JUL 2006	26.61911
2 AUG 2006	26.75548
2 SEP 2006	26.89266
2 OCT 2006	27.04066
2 NOV 2006	27.18955
2 DEC 2006	27.33933
2 JAN 2007	27.50000

* As defined in paragraph 4.1 of the CSA.

Certificate of Acceptance

To: The Connecticut Bank and Trust Company, National
Association ("Lessor")

I, the duly authorized representative for the
Lessor and Burlington Northern Railroad Company ("Lessee")
under the Lease of Railroad Equipment dated as of
November 1, 1988, do hereby certify that each of the units
of equipment identified below have been inspected and I have
accepted delivery of each of such units on the date and at
the time set forth below. On such date and at such time,
all of such units were located in one or more of the
following States: Wisconsin, Minnesota, North Dakota,
Montana, Idaho, Washington, Iowa or Nebraska.

TYPE OF EQUIPMENT:
MODEL:
DATE ACCEPTED:
NUMBER OF UNITS:
NUMBERED:

I do hereby certify that the foregoing Units are
in good order and condition, and conform to the
specifications, requirements and standards applicable
thereto as provided in the Lease.

I do further certify that each of the foregoing
Units has been marked upon each side of each such Unit in
letters not less than one inch in height as follows:

"Subject to a Security Agreement filed with the
Interstate Commerce Commission."

The execution of this Certificate will in no way
relieve or decrease the responsibility of the Builder named
below for any warranties it has made with respect to the
Equipment.

Authorized Representative of
Lessor and Lessee

BUILDER:
DATE:
TIME:

APPENDIX A TO LEASE

<u>Type</u>	<u>Builder</u>	<u>Builder's Specifi- cations</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)*</u>	<u>Estimated Unit Maximum Price</u>	<u>Estimated Total Maximum Price</u>	<u>Estimated Time and Place of Delivery</u>
Diesel- Electric Locomo- tives:	EMD		La Grange, Illinois					1/1/89 to 12/15/89
GP-39-E or				25	BN-2750- 2799. ✓	\$ 660,000	\$ 16,500,000	States desig- nated in the Certificates of Acceptance
GP-40-E					BN-2926- 2999, BN-3550- 3599,			

* Units delivered hereunder will bear road numbers within these series of road numbers. When deliveries have been completed, this page will be amended to show the actual road numbers of the Units delivered.

APPENDIX A TO LEASE

<u>Type</u>	<u>Builder</u>	<u>Builder's Specifi- cations</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)*</u>	<u>Estimated Unit Maximum Price</u>	<u>Estimated Total Maximum Price</u>	<u>Estimated Time and Place of Delivery</u>
Diesel- Electric Locomo- tives:	M-KIS	Exhibit "A", "B", and "C" to Agreement with Lessee dated 4/13/88.		25	BN-2800- 2924	\$660,000	\$ 16,500,000	11/18/88- 12/28/88
GP-39-M or								
GP-40-M					BN-3500- 3549			States desig- nated in the Certificates of Acceptance

* Units delivered hereunder will bear road numbers within these series of road numbers. When deliveries have been completed, this page will be amended to show the actual road numbers of the Units delivered.

[P81682]

ANNEX C
to Conditional
Sale Agreement

[CS&M Ref. 4327-090]

LEASE OF RAILROAD EQUIPMENT

Dated as of November 1, 1988

Between

BURLINGTON NORTHERN RAILROAD COMPANY,
as Lessee,

And

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION
not in its individual capacity but solely
as Owner Trustee under a Trust Agreement dated as
of the date hereof,
as Lessor.

The rights and interests of the Lessor under this
Lease are subject to a security interest in favor of
Meridian Trust Company as Indenture Trustee for certain
Institutional Investors. The original of this Lease is held
by said Indenture Trustee.

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT dated as of November 1, 1988 between BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation ("Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not in its individual capacity but solely as Owner Trustee ("Lessor") under a Trust Agreement dated as of the date hereof ("Trust Agreement") with FIRST BANK NATIONAL ASSOCIATION ("Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement and Indenture dated as of the date hereof ("CSA") with General Motors Corporation (Electro-Motive Division) and M-K Industrial Services Company (each a "Builder" and collectively "Builders") wherein the Builders have agreed to remanufacture, sell and deliver to the Lessor the units of railroad equipment described in Appendix A hereto;

WHEREAS each Builder is assigning its interests in the CSA pursuant to an Agreement and Assignment dated as of the date hereof ("CSA Assignment") to Meridian Trust Company, acting as indenture trustee for certain investors under a Participation Agreement dated as of the date hereof ("Participation Agreement") among said indenture trustee, the Lessee, the Lessor, the Owner, and the investors named in Appendix I thereto (together with their successors and assigns, "Investors") (said indenture trustee as so acting, together with its successors and assigns, "Vendor") (Capitalized terms used herein without definition shall have the meanings specified in the Participation Agreement);

WHEREAS the Lessee desires to lease such number of units of the railroad equipment as are delivered and accepted and settled for under the CSA ("Units") at the rentals and for the terms and upon the conditions hereinafter provided;

WHEREAS the Lessor will assign certain of its rights under this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement ("Lease Assignment") dated as of the date hereof, and the Lessee will acknowledge and consent thereto pursuant to the Consent and Agreement ("Consent") in the form attached to the Lease Assignment;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

SECTION 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof, recoupment or setoff against rent or such other amounts, including, but not limited to, abatements, reductions, recoupments or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor or the Owner under this Lease or the CSA including the Lessee's rights by subrogation thereunder to the Builders or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time thereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and (except as provided in Section 3.1(5) hereof) the Lessee shall not seek to recover all

or any part of such payment from the Lessor, the Owner or the Vendor for any reason whatsoever.

SECTION 2. DELIVERY

2.1. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points within the United States of America at which such Unit is so delivered to the Lessor. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the CSA and on behalf of itself hereunder and execute and deliver to the Lessor a certificate of acceptance ("Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating, among other things, that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with Section 5.1 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

2.2. Designation of Series A, Series B and Series C Units. All Units which are delivered and accepted hereunder pursuant to the the CSA on or prior to December 28, 1988, shall be called Series A Units; all Units which may be delivered and accepted hereunder pursuant to the CSA after December 28, 1988, and on or prior to June 30, 1989, shall be called Series B Units; and all Units which may be delivered and accepted hereunder pursuant to the CSA after June 30, 1989, and on or before December 15, 1989, shall be called Series C Units. The Lessor and the Lessee shall enter into a supplement hereto promptly after final settlement for all Units setting forth the road numbers of the Units which are designated Series A, Series B and Series C Units.

SECTION 3. RENTALS

3.1. Amount and Date of Payment. (1) As rental for each Series A Unit subject to this Lease, the Lessee agrees to pay to the Lessor the rental payments in the amounts and on the dates shown in Appendix B hereto. As rental for each Series B Unit subject to this Lease, the

Lessee agrees to pay to the Lessor the rental payments in the amounts and on the dates to be shown in Appendix B hereto by amendment. As rental for each Series C Unit subject to this Lease the Lessee agrees to pay to the Lessor the rental payments in the amounts and on the dates (hereinafter "Payment Dates") to be shown in Appendix B hereto by amendment. The forgoing rental payments are herein called "Basic Rents". "Supplemental Rents" shall mean all amounts, liabilities and obligations (other than Basic Rent or any periodic rent payable during any Renewal Term) which the Lessee assumes or agrees to pay under this Lease or under any other Document to Lessor or any other person including, without limitation, Casualty Values, indemnities, interest on any overdue installment of rent and other sums due from the due date until paid in full at the Overdue Rate (to the extent permitted by applicable law), any insurance premium paid by the Lessor in respect of insurance required to be carried by Lessee under this Lease, all trustee fees and expenses pursuant to Section 12(c) of the Participation Agreement and damages for breach of any covenants, representations or warranties of the Lessee under any Lessee Document.

(2) The Basic Rents and the related Casualty Values set forth in Appendix B hereto have been calculated on the assumptions for each Series of Units set forth in Appendix B hereto. If for any reason those assumptions prove to be incorrect, then, such Basic Rents (and the related Casualty Values) payable by the Lessee hereunder in respect of such Units shall be increased or decreased, as the case may be, by such amount as shall, in the reasonable opinion of the Owner, cause the Owner's nominal net after-tax economic yield and total after-tax cash flow, computed on the same assumptions, including tax rates, as were utilized by the Owner in originally evaluating the transaction with respect to such Units (such yield and cash flow being hereinafter called "Net Economic Return"), to be approximately equal to but not less than the Net Economic Return that would have been realized by the Owner if such assumptions had proved to be correct. The Lessor shall provide a schedule of Basic Rents and Casualty Values to the Lessee and the Vendor promptly after the facts have been determined and the calculations have been made and, if requested by the Lessee, the Lessor will furnish to the Lessee, at the expense of the Lessee, an opinion of a firm of nationally recognized certified public accountants to the effect that such Schedule has been accurately prepared in accordance with the terms hereof. If such opinion shall indicate that the proposed adjustment to Basic Rents

differs, in the aggregate, from the required adjustments by an amount equal to or greater than 5% of such required adjustment, the cost of such opinion shall be borne by the Owner.

(3) In the event that any dispute should arise as to the calculation of such Basic Rents under Section 3.1(2) (or the related Casualty Values), the Lessee agrees, pending resolution of such dispute, to pay on account of such rentals (or such Casualty Values), on the dates due hereunder, amounts at least equal to the principal and/or interest payable on each such date under Sections 4.3(b), 4.4 and 7.2 of the CSA, but no such payment shall, as between the Lessor and the Lessee, prejudice the right of the Lessor to receive from the Lessee any amount in addition thereto, due and payable hereunder.

(4) Anything in the foregoing provisions of this Section 3.1 to the contrary notwithstanding, the Basic Rents and Casualty Values hereunder (i) shall not be less than amounts which are sufficient to satisfy the obligations of the Owner Trustee under the CSA, notwithstanding any limitation of liability contained therein, (ii) shall not, in the opinion of Tax Counsel (as defined in the Indemnity Agreement), result in the Lease failing to satisfy the guidelines that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions are leases for Federal income tax purposes and (iii) shall not, in the opinion of Tax Counsel, result in the application to the Lease of Section 467(b)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date hereof.

(5) In the event that the Owner shall fail to pay any amounts required to be paid as Deferred Equity by it under Section 19 of the Participation Agreement when due thereunder, the Lessee shall pay, as Prepaid Rent, on each due date thereof an amount equal to the payment which was to have been made by the Owner on such due date as set forth in Appendix B hereto. After making any such payment of Prepaid Rent in such amount, so long as no Event of Default hereunder has occurred and is continuing the Lessee shall be entitled to deduct from each succeeding payment of Basic Rent or Casualty Value an amount equal to the lesser of (i) the sum of (1) the amount of such Prepaid Rent payment not previously reimbursed to Lessee pursuant to Section 19 of the Participation Agreement, not previously deducted by Lessee from payments of Basic Rent or Casualty Value pursuant to this sentence of this Section 3.1(5) or not previously deducted by Lessee from payments pursuant to the

next sentence of this section 3.1(5) plus (2) interest on the amount of such Prepaid Rent payment at the rate of 8% per annum over the Prime Rate from and including the date such Prepaid Rent payment is made by the Lessee to but not including the date on which such Prepaid Rent has been so reimbursed in full to the Lessee, and (ii) the excess, if any, of the amount of such succeeding payment of Basic Rent or Casualty Value, as the case may be, which would then be payable without deduction pursuant to this Section 3.1(5) over, in the case of Basic Rent, the unpaid amount of principal of and interest on the CSA Indebtedness required to be paid by Lessor on the Basic Rent payment date on which such succeeding payment of Basic Rent is scheduled to be made and, in the case of Casualty Value, the unpaid amount of principal of and interest accrued on the CSA Indebtedness to the Casualty Payment Date on which such succeeding payment of Casualty Value is scheduled to be made. In addition, after making any such Prepaid Rent payment, the Lessee shall be entitled to deduct from any other succeeding payment due from the Lessee hereunder or under the Participation Agreement or the Indemnity Agreement to the Owner for its own account or to the Owner Trustee, to the extent that any such payment would be distributable to the Owner, an amount equal to the sum of the amount of such payment of Prepaid Rent not previously reimbursed to Lessee pursuant to Section 19 of the Participation Agreement, not previously deducted by Lessee from payments of Basic Rent or Casualty Value pursuant to the preceding sentence of this Section 3.1(5) or not previously deducted by Lessee pursuant to this sentence of Section 3.1(5), plus interest on the amount of such Prepaid Rent payment at the rate of 8% per annum over the Prime Rate from and including the date of such prepayment to but excluding the date of such deduction by Lessee. For purpose of this Section 3.1(5), "Prime Rate" shall mean a fluctuating rate of interest equal to the rate per annum announced publicly by The Chase Manhattan Bank, N.A., from time to time as its base rate.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in Section 3.1 or Casualty Payment Date referred to in Section 7.1 is not a business day, the payment otherwise payable on such date shall be payable on the next business day, and no interest shall be payable thereon for the period from and after the scheduled date for payment thereof to such next business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Hartford, Connecticut, St. Paul, Minnesota, or Reading, Pennsylvania are authorized or obligated to remain closed.

3.3. Payment in Immediately Available Funds. The Lessee agrees to make each payment provided for herein as contemplated by Section 3.1 in immediately available funds at or prior to 11:00 a.m. in the city where such payment is to be made.

SECTION 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit under the CSA and, subject to the provisions of Sections 7, 13 and 16 hereof, shall terminate on the date which is the six month anniversary after the date on which the final payment of rent in respect thereof is due pursuant to Section 3.1 or Section 16.1 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 6, 7, 10, 11, 12, 14, 17 and 19 hereof) shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease without affecting the indemnities which by the provisions of this Lease survive the termination of its term (or rescind its termination), all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments as defined in the Lease Assignment in accordance therewith, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under Section 15 hereof.

SECTION 5. IDENTIFICATION MARKS

5.1. Identifying Numbers; Legend; Changes. The Lessee will cause each Unit to be kept numbered with the road number set forth in Appendix A hereto, or in the case of any Unit not there listed such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "SUBJECT TO A SECURITY AGREEMENT FILED

WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

5.2. Insignia of Lessee. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee, but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

SECTION 6. TAXES

6.1. Indemnification for Nonincome Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, and to indemnify and hold the Lessor (both in its individual and fiduciary capacities), the Owner, the Vendor and each Investor and their respective successors, assigns, agents and servants ("Indemnified Persons") harmless on an after-tax basis from, all taxes, assessments, withholdings, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor, the Owner, the Vendor, any Investor, the Lessee, the trust estate created by the Trust Agreement or otherwise, by any Federal, state

or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to, any Unit or any part thereof; the manufacture, purchase, ownership, delivery, leasing, subleasing, possession, use, operation, transfer of title, sale, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease, the Trust Agreement, the Participation Agreement, the CSA, the CSA Assignment, the Lease Assignment, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to property held in trust by the Lessor under the Trust Agreement (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however, with respect to each Indemnified Person: (i) Taxes (other than Taxes in the nature of sales or use taxes) imposed on the net or gross income or gross receipts of such Indemnified Person (or franchise taxes imposed on such Indemnified Person to the extent that they are taxes in lieu of net income taxes) by the United States or by any state or political subdivision thereof in which such Indemnified Person's principal place of business is located or in which such Indemnified Person is subject to net income tax by reason of engaging in business in such jurisdiction (other than the leasing of Equipment located therein); provided that Taxes of any foreign country or subdivision thereof incurred as a result of the Indemnified Person being taxed by such foreign country or subdivision on its world-wide income without regard to the transactions contemplated by this Lease shall be excluded in all cases, whether or not the Indemnified Person is entitled to a credit against its United States Federal income taxes; (ii) Taxes on any items of tax preference or any minimum tax; (iii) any Taxes imposed as a direct result of a voluntary or involuntary transfer or other disposition by the Trustee (other than in connection with the exercise of any remedy for an Event of Default which shall have occurred and be continuing at the time of such transfer or other disposition) or any transfer or disposition by the Owner Trustee resulting from bankruptcy or other proceedings for the relief of debtors in which the Trustee is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Lease, in each case other than with respect to a transfer or disposition to or at the request of the Lessee or any of its affiliates; (iv) Taxes imposed by any jurisdiction to the extent that such Taxes would not have been imposed on such Indemnified Person but for activities in such jurisdiction

by such Indemnified Person commencing after the Closing Date and unrelated to the transactions contemplated hereby; (v) Taxes resulting from the misconduct or negligence of such Indemnified Person; (vi) Taxes in the nature of franchise taxes, value added taxes (other than in the nature of sales or use taxes), capital stock taxes, net worth taxes or taxes on doing business; (vii) Taxes incurred by such Indemnified Person as a result of its own bankruptcy; and (viii) any Taxes imposed on or measured by any fees or compensation received by the Lessor or the Vendor; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in Section 6.2 hereof. The Lessee further agrees to pay on or before the time or times prescribed by law any tax imposed on or measured solely by the net income of the Lessee under the laws of the United States or of any state or political subdivision thereof, or of any foreign country or subdivision thereof which, if unpaid, might result in a lien or other encumbrance upon any Unit; provided, however, that the Lessee shall not be required to pay any such tax during the period it may be contesting the same in good faith by appropriate proceedings if (i) in the reasonable opinion of the Lessor and the Vendor such contest or the nonpayment of such tax would not adversely affect the title, property or rights of the Lessor hereunder or of the Vendor under the CSA or (ii) the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Vendor.

6.2 Claims; Contests; Refunds. If claim is made against the Lessor, the Owner or the Vendor for any Taxes indemnified against under this Section 6, such Indemnified Person shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, such Indemnified Person shall, upon receipt of any indemnity satisfactory to it for all its reasonable charges for its services rendered in connection therewith and for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest (or at such Indemnified Person's election and if permitted by law, permit the Lessee to contest in the name of such Indemnified Person) in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. Notwithstanding the foregoing, no proceeding or actions relating to such contest shall

be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Lessor, the Owner or the Vendor in any such proceeding or action) unless (i) in the opinion of the Lessor, the Owner or the Vendor, such contest or the nonpayment of the Taxes would not adversely affect the title, property or rights of the Lessor hereunder or of the Vendor under the CSA or, if there would be such an adverse effect, the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Vendor, and (ii) if the Indemnified Person contests the Tax by making payment thereof and conducting a refund proceeding, the Lessee has advanced to such Indemnified Person as an interest-free loan and with no additional tax cost to such Indemnified Person an amount equal to the Taxes so paid. The Lessee agrees to give the Lessor, the Owner and the Vendor reasonable notice of such contest prior to the commencement thereof. Notwithstanding the foregoing, the Indemnified Person shall not be required to contest, or to continue to contest, the Tax if such Indemnified Person waives its right to indemnification hereunder with respect to the Tax in issue provided that such waiver shall not as a matter of law jeopardize the ability of the Lessee to contest the Tax with respect to a subsequent year should it be asserted in such other year. If the Lessor, the Owner or the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, the Lessor, the Owner or the Vendor, as the case may be, shall pay the Lessee the amount of such refund or interest net of expenses; provided, however, that no such payment shall be required if an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default shall have occurred and be continuing and the amount of such payment shall in no event exceed all amounts previously paid by the Lessee to the appropriate Indemnified Person under this Section 6 reduced by all prior payments by such Indemnified Person to the Lessee pursuant to this sentence.

6.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Lessee under or arising out of this Section 6 (except obligations resulting from the last sentence of Section 6.1), the Lessee will, where permitted to do so under applicable rules and regulations, make and timely file such reports and returns, including exemption certificates or affidavits with respect to any sales or use tax, in such manner as to show the interest of the Lessor and the Vendor in the Units as shall be satisfactory to the Lessor, the

Owner and the Vendor or, where not so permitted, will notify the Lessor, the Vendor and the Owner of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Vendor within a reasonable time prior to the time such reports are to be filed. All costs and expenses (including reasonable legal and accountants' fees and disbursements) of preparing any such return or report shall be borne by the Lessee.

6.4. Withholding. Notwithstanding anything herein to the contrary, all amounts received by the Investors which are furnished by the Lessee shall be free of withholdings of any nature whatsoever, and in the event that any withholding is required, the Lessee shall pay an additional amount such that the net amount actually received by the Lessor (or such other person entitled to receive such amounts under the Documents) after such withholding will equal the full amount of the payment then due. If the Lessee has paid any such additional amount and the corresponding withholding tax is not indemnifiable by the Lessee pursuant to Section 6.1, the Lessee shall notify the Indemnified Person of the amount of such additional payment and provide the Indemnified Person a receipt or other document appropriately evidencing the payment of such withholding tax. Within thirty (30) days of receipt of such notice and documentation, the Indemnified Party shall repay to the Lessee such additional amount together with interest thereon from the date of the Lessee's payment to the date of repayment at a rate equal to the Overdue Rate during such period.

6.5. Survival. All the obligations of the Lessee under this Section 6 shall survive and continue, but only with respect to periods included in the term of this Lease, notwithstanding payment in full of all amounts due under the CSA or the termination of this Lease. Payments due from the Lessee to the Lessor, the Owner or the Vendor under this Section 6 shall be made directly to the party indemnified.

SECTION 7. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE

7.1. Definitions of Casualty Occurrence; Payments. In the event that any Unit of Equipment shall be or become lost, stolen, destroyed or, in the Lessee's good faith opinion, irreparably damaged from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Unit is returned pursuant to Section 14 or Section 17 hereof, or any Unit shall be taken or requisitioned by condemnation or otherwise by the United States

Government for a period (either stated or as reasonably perceived by the Lessee) which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days during the term of this Lease or during any renewal term hereof ("Casualty Occurrence"), the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the second day of the month occurring at least 30 days and not more than 60 days after such Casualty Occurrence occurs (each such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the Casualty Value (as hereinafter defined) of any such Unit as of such Casualty Payment Date; provided, however, that in the event of a Casualty Occurrence during the period any Unit is required to be returned pursuant to Section 14 or Section 17 hereof and the 10 days prior thereto, the Lessee shall make such payment of the Casualty Value, and any earnings or rentals accrued pursuant to Section 14 or Section 17 hereof, to the Lessor on a date 30 days after such Casualty Occurrence. Upon the making of such payment by the Lessee in respect of any Unit, the term of this Lease as to such Unit shall terminate and the Lessee shall, without further act or deed, be entitled to ownership and possession of such Unit.

In addition to the occurrences constituting a Casualty Occurrence under the preceding paragraph, if any Unit shall have been taken or requisitioned by the United States Government or any other governmental entity (collectively "Government") and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the original or any renewal term of this Lease, in which event the Lessee shall promptly and fully notify the Lessor with respect thereto and pay the Lessor an amount equal to the Casualty Value of such Unit as of the end of such term. Following such payment, the Lessee shall be entitled to receive condemnation payments in respect of such Unit up to an amount equal to such Casualty Value and any balance of such payments shall be the property of the Lessor. In the event such Unit shall be returned by a Government prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, then the Lessee shall dispose of such Unit as agent for the Lessor and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall equal such Casualty Value

and the balance of such proceeds shall be promptly paid to the Lessor. In the event such Unit shall be returned by a Government following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, such Unit shall be returned by the Lessee to the Lessor in the manner provided in Section 17 hereof.

7.2. Requisition by the United States Government. In the event of the requisition for use by the United States Government of any Unit for a period which does not exceed the then remaining term of this Lease (except where deemed a Casualty Occurrence pursuant to Section 7.1 hereof), all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred. All payments received at any time by the Lessor or the Lessee from the United States Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided that no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received at any time by the Lessor or the Lessee from the United States Government for the use of such Unit after the term of this Lease or any renewal term thereof shall be paid over or retained by the Lessee.

7.3. Payments After Expiration of Lease. If the date upon which the making of the payment by the Lessee in Section 7.1 hereof in respect of any Unit is required as aforesaid shall be after the term of this Lease or any renewal term thereof in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such term.

7.4. Amount of Casualty Value. The Casualty Value of each Unit as of the Casualty Payment Date on which payment is made shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Appendix B hereto opposite such Casualty Payment Date for each Series of Units.

7.5. No Release. Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

7.6. Insurance To Be Maintained. (1) The Lessee will, at all times prior to the return of the Units to the Lessor at its own expense, cause to be carried and maintained (i) property insurance in respect of the Units at the time subject hereto and (ii) public liability insurance with respect to third-party personal and property damage, and the Lessee will continue to carry such insurance in such amounts and for such risks and with such insurance companies and subject to such self-insurance as is consistent with prudent railroad industry practice but in any event at least, not less comprehensive in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Units, in each case reasonably satisfactory to the Lessor. The proceeds of any property insurance shall be payable to the Vendor, the Lessor, the Owner and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the CSA shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Any policies of insurance carried in accordance with this paragraph shall (x) require 30 days' prior notice of cancellation or material change in coverage to the Lessor and the Vendor and (y) name the Lessor, the Owner and the Vendor as additional named insureds and loss payees as their respective interests may appear and in the event such policies shall contain breach of warranty provisions such policies shall provide that in respect of the interests of the Lessor, the Owner and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor, respectively) and shall insure the Lessor, the Owner and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Vendor, respectively). Prior to the first date of delivery of any Unit pursuant to the CSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 7, the Lessee shall deliver to the Lessor, the Owner and the Vendor a duplicate original of all policies (or in the case of blanket policies, certificates thereof issued by the insurers thereunder) for the insurance maintained pursuant to this Section 7; provided, however, that if the delivery of a formal policy or certificate, as the case may be, is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the formal policy or certificate, as the case may be, upon receipt thereof.

(2) In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option, upon 5 business days prior written notice to the Lessee, provide such insurance and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest from the date of payment thereof, on the amount of the cost to the Lessor of such insurance which the Lessee shall have failed to maintain, at the rate per annum specified in Section 19 hereof.

(3) The Lessor may at its own expense carry insurance with respect to its interest in the Units, provided that such insurance does not prevent the Lessee from carrying insurance required by this Section 7.6 or adversely affect such insurance or the cost thereof. Any insurance payments received from policies maintained by the Lessor shall be retained by the Lessor without reducing or otherwise affecting the Lessee's obligations hereunder.

7.7. Insurance Proceeds and Condemnation Payments. If the Lessor or Lessee shall receive (directly or from the Vendor) any insurance proceeds under insurance required to be maintained by the Lessee hereunder or condemnation payments in respect of such Units suffering a Casualty Occurrence, the Lessor shall use such proceeds or condemnation payments to reimburse the Lessee for its payment of Casualty Value to the Lessor (to the extent the Lessee shall have already paid such Casualty Value), and the balance, if any, of such proceeds or condemnation payments shall be paid over to, or retained by, if it is from insurance carried by the Lessee, the Lessee or, if it is from any other source (other than insurance maintained by the Lessor), the Lessor and the Lessee as their respective interests may appear; provided, however, that no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Units, to the Lessor. All insurance proceeds received by the Lessor (directly or from the Vendor) under insurance required to be maintained by the Lessee hereunder in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

7.8. Application of Payments During Default. Any amount referred to in Section 7.1, 7.2 or 7.7 that is payable to the Lessee shall not be paid to the Lessee if at the time of such payment an Event of Default (or other event which with the giving of notice or the lapse of time or both would become such an Event of Default) exists but shall be held by the Vendor or, if the CSA Indebtedness and other amounts owing under the CSA shall have been paid in full, the Lessor, as security for the obligations of the Lessee under this Lease and at such time as any such Event of Default (or other event which with the giving of notice or the lapse of time or both would become such an Event of Default) is not continuing, such amount, unless theretofore otherwise applied in exercise of the Lessor's remedies hereunder, shall be paid to the Lessee.

SECTION 8. REPORTS

On or before April 1 in each year, commencing with the calendar year 1989, the Lessee will furnish to the Lessor, the Owner and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the total number, description and road numbers of all Units then leased hereunder and covered by the CSA, the total number, description and road numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5.1 hereof have been preserved or replaced. The Lessor, the Vendor and the Owner shall each have the right (but not any obligation) by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor, the Vendor or the Owner may request during the continuance of this Lease.

SECTION 9. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE, HAS NOT MADE AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL,

EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF NOR AS TO COMPLIANCE WITH SPECIFICATIONS, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), THE ABSENCE OF INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Vendor based on any of the foregoing matters; provided, however, that nothing herein shall in any way bar, reduce or defeat any claim that the Lessee may have against any Builder; provided further, that the Lessor hereby represents and warrants to the Lessee that upon delivery to it of any Unit the Lessor shall have received whatever title was conveyed to it by the Builder thereof and that on the Closing Date (as defined in the CSA) the Units being settled for shall be free of any and all liens, charges, security interests or encumbrances resulting from claims against the Lessor not related to the ownership of the Units or the administration of the Trust Estate (as defined in the Trust Agreement) or any other transaction contemplated by the Trust Documents (as defined in the Trust Agreement).

SECTION 10. LAWS AND RULES

10.1. Compliance. The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all

respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation, possession or use of the Units or are necessary to comply with health, safety or environmental standards, and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner if (i) in the reasonable opinion of the Lessor or the Vendor, such contest will not adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the CSA or (ii) the Lessee provides a bond or other security reasonably satisfactory to the Lessor and the Vendor.

10.2. Reports by Lessor. The Lessee will prepare and deliver to the Lessor and the Vendor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor and the Vendor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

SECTION 11. MAINTENANCE

11.1. Units in Good Operating Order. The Lessee will, at its own cost and expense, maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease (a) in accordance with prudent Class I Railroad industry maintenance practices, (b) in a manner consistent with maintenance practices used by the Lessee in respect of equipment owned or leased by the Lessee similar in nature to the Units and (c) in compliance with any and all applicable laws and regulations.

11.2. Additions and Accessions. (1) In addition to the requirements of Sections 10.1 and 11.1 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units and do not adversely and materially affect the value of the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee if removed from the Units prior to the time such Units are returned as provided in Sections 14 and 17, except to the extent such additions, modifications or improvements are made as described in Section 11.2(2) hereof; provided, however, that the Lessee shall at all times own and be entitled to remove proprietary and communications equipment (the cost of which was not included in the Purchase Price of such Unit) from any Unit prior to the return of any Unit as long as such equipment is removable without material damage to such Unit.

(2) Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of its agreements contained in Section 11.2(1) hereof, or (ii) the cost of which is included in the Purchase Price of such Unit, or (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads (if applicable) or by the regulations of the Department of Transportation, the Interstate Commerce Commission or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the CSA and the CSA Assignment) shall immediately be vested in the Lessor.

(3) If a Unit is to be returned to the Lessor pursuant to any provisions of this Lease, the Lessee shall, at the Lessor's written request advise Lessor as to the nature and condition of all severable parts (other than proprietary and communications equipment) which Lessee has or intends to remove from any Unit in accordance with Section 11.2 (1) above. Lessor may, at its option, upon 30 days written notice to Lessee, purchase any or all of such parts from Lessee upon the expiration of the term at the fair market value of such parts.

SECTION 12. INDEMNIFICATION

12.1. Indemnified Persons. The Lessee shall pay, and shall protect, indemnify and hold each Indemnified Person harmless from and against any and all liabilities, obligations, losses, damages, costs, expenses, disbursements, causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever other than taxes which are provided for in Section 6 hereof, whether or not indemnified hereunder, which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses [including without limitation reasonable attorneys' fees and expenses of any Indemnified Person] relating thereto) in any way relating to or arising, or alleged to arise, out of this Lease, the CSA or the Units, including, without limitation, those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, inspection prior to acceptance, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof, (ii) any latent and other defects whether or not discoverable by any Indemnified Person, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, negligence or breach of warranties, (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, inspection prior to acceptance, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof, (vi) any violation of any provision of this Lease (except by the Lessor) or of any agreement, law, rule, regulation, ordinance or restriction affecting or applicable to the Units or the leasing, ownership, use, replacement, adaptation or maintenance thereof, or (vii) any claim arising out of any of the Lessor's or the Vendor's obligations under the Lease Assignment or the Vendor's retention of a security interest under the CSA and the CSA Assignment or the Lease Assignment except to the extent such claim arises from an act or omission of the party claiming indemnification (all of which matters hereinabove set forth in this paragraph being hereinafter called "Indemnified Matters"); provided, however that Indemnified Matters shall not include any such liabilities, losses or expenses resulting from the gross negligence

or willful misconduct of the Owner or resulting from acts arising after the expiration the original or any renewal term of this Lease or arising from a breach by the Owner of the rights of use and possession of the Lessee under Section 15 hereof or resulting from a transfer of any interest of the Owner in the units or in this Lease, unless such transfer arises as a result of an Event of Default hereunder. The Lessee shall be obligated under this Section 12.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same Indemnified Matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this Section 12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation reasonable attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this Section 12, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of any taxing jurisdiction, domestic or foreign, (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor each agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this Section 12 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person (except against another Indemnified Person) in respect of the Indemnified Matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of

any Indemnified Matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 12.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made to such Indemnified Party. Nothing in this Section 12.1 shall constitute a guarantee by the Lessee of the CSA Indebtedness under the CSA or a guarantee of the residual value of any Unit.

12.2. Survival. The indemnities contained in this Section 12 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 12 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

SECTION 13. DEFAULT

13.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal thereof, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment when due of any amount provided for in Section 3, 6, 7, 12, or 16 hereof or pursuant to the Indemnity Agreement, and such default shall continue for 5 business days after written notice from the Lessor or the Vendor to the Lessee;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or the right to possession of the Units, or any thereof;

(C) default shall be made in the observance or performance of any other of the covenants, conditions, understandings and agreements on the part of the Lessee contained herein or in the Participation Agreement or in the Indemnity Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the

default and demanding that the same be remedied; provided, however, that the continuation of such a default for longer than 30 days after such written notice shall not constitute an Event of Default if (a) such default is capable of being cured but cannot be cured within thirty days, (b) the Lessee is diligently pursuing the cure of such default and (c) such default does not impair in any material respect the Lessor's interest in the Units or the security interest of the Vendor created pursuant to the CSA;

(D) any representation or warranty made by the Lessee herein or in the Participation Agreement or in any certificate or statement furnished to the Vendor, the Lessor or the Owner pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

(E) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Lease and the Participation Agreement and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed; or

(F) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Participation Agreement or the Indemnity Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such

stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises, insofar as the Lessee may be lawfully authorized so to permit, where any of the Units may be located, without judicial process if this can be done without breach of the peace and in accordance with due process of law, and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and

also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts that the Lessor, in its sole discretion, shall specify: (i) with respect to each Unit, the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, such present value to be computed on the basis of a 6% per annum discount, compounded semi-annually from the respective dates upon which rental would have been payable hereunder had this Lease not been terminated over the then present value of the rental which the Lessor reasonably estimates to be obtainable for each Unit during such period, such present value to be computed on the basis of a 6% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, if such Unit is sold, the net proceeds of the sale or (ii) an amount equal to the excess, if any, of the Casualty Value as of the Casualty Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit in a commercially reasonable manner, the Lessor, in lieu of collecting any amounts payable by the Lessee pursuant to the preceding clause (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Casualty Payment Date on or next preceding the date of termination over the net proceeds of such sale; or

(c) if the Lessor has terminated this Lease in accordance with paragraph (b) above, as to any Unit which the Lessee did not deliver to the Lessor as required by Section 14 hereof and as to which the Lessor has not obtained possession within 30 days of such termination, Lessor may demand and receive payment of all Supplemental

Rent then owing under the Documents, plus the greater of (x) Casualty Value as of the Casualty Payment Date next succeeding the expiration of such 30-day period, plus interest thereon at the applicable Debt Rate to the date of payment or (y) the amount the Lessor reasonably estimates to be the sales value of such Unit at such time.

In addition to any other remedies provided herein or otherwise available to the Lessor at law or equity, the Lessee shall pay to the Lessor and to any assignee of the Lessor's interest under this Lease as Supplemental Rent all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the repossession, return, storage and insuring of any Unit in accordance with the terms hereof or placing such Unit in the condition required hereunder or appraising the value of such Unit, together with interest thereon at the Overdue Rate from the date of the expenditure to the date of payment.

13.2. Remedies Not Exclusive; Waiver. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset and/or recoupment against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim, which may be asserted by the Lessee or on its behalf.

13.3. Failure To Exercise Rights Is Not Waiver. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

13.4. Notice of Event of Default. The Lessee also agrees to furnish the Lessor, the Owner and the Vendor promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of

Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this Section 13.4, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 14. RETURN OF UNITS UPON DEFAULT

14.1. Return of Units. If this Lease shall terminate pursuant to Section 13 hereof or pursuant to Article 16 of the CSA, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction and shall have attached or affixed thereto any special device considered an accession thereto as provided in Section 11 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in Section 11, is owned by the Lessee. For the purpose of delivering possession of any Unit of Units as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until all such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

14.2. Lessor Appointed Agent of Lessee. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 14, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

SECTION 15. ASSIGNMENT, POSSESSION AND USE

15.1. Assignment; Consent. This Lease shall be assignable in whole by the Lessor to any successor Lessor which may be appointed pursuant to Article VII of the Trust Agreement. The Lessee hereby consents to the assignment of this Lease pursuant to the Lease Assignment.

15.2. Lessee's Rights To Use the Units, To Permit Use Thereof by Others and To Sublease the Units. (1) So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent, and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in

accordance with the terms of this Lease (including, without limitations, all its rights under Section 16 hereof) and the CSA. Without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except as provided in paragraph (2) of this Section 15.2; and the Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of paragraph (2) of this Section 15.2. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units or any encumbrance on the leasehold estate of the Lessee which is subject and subordinate to the interests of the Lessor and the Vendor) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

(2) So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract and shall be entitled to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and shall be entitled to assign or sublease any of the Units to others provided that no such assignment or sublease shall relieve the Lessee from any of its obligations hereunder or result in any adverse tax consequences to the Owner, and only, in each case, upon and subject to all the terms and conditions of this Lease and the CSA; provided, however, that the Lessee shall not permit the use of any Unit predominantly outside the United States of America within the meaning of Section 48(a) and 168(g) of the Internal Revenue Code of 1986, as amended to the date hereof.

SECTION 16. RENEWAL OPTIONS AND
PURCHASE OPTION

16.1. Definitions. The following terms shall have the following meanings for all purposes of this Section 16 and such meanings are equally applicable both to the singular and plural forms of the terms defined.

"Appraisal Procedure" shall mean the following procedure: If the parties are unable to agree on a Fair Market Rental, or a Fair Market Sale Value, as the case may be, within 30 days of Lessee's written notice to Lessor setting forth Lessee's proposal for the rental or purchase price, or if Lessee shall elect to exercise its option for one or more fixed Rental Renewal Terms and the parties are unable to agree upon an appraiser to make the determinations required by Section 16.2(ii)(a) and (b), the Lessee will provide Lessor the name of an appraiser that would be satisfactory to Lessee and the Lessee and Lessor will consult with the intent of selecting a mutually acceptable appraiser. If a mutually acceptable appraiser is selected, the Lessee shall bear the cost thereof. If the Lessee and Lessor are unable to agree upon a single appraiser within 15 days, the Lessor will retain an appraiser within 15 days and the appraiser set forth in Lessee's written notice and the appraiser retained by the Lessor shall select a consensus appraiser within 30 days. If the appraisers cannot agree on a consensus appraiser within such 30 days, the Fair Market Rental, Fair Market Sale Value, or the determinations required by Section 16.1(ii)(a) and (b), as the case may be, shall be determined by binding arbitration pursuant to the rules of the American Arbitration Association and the cost of such determination shall be borne equally by the Lessee and the Lessor, except that the Lessee shall bear the cost of the appraiser named in Lessee's notice and the Lessor shall bear the cost of the appraiser selected by the Lessor. If the parties are able to agree upon a single appraiser, or the two appraisers are able to agree upon a consensus appraiser, the single appraiser or the three appraisers, as the case may be, shall within 60 days make a determination of such Fair Market Rental or Fair Market Sale Value, as the case may be. If there shall be a panel of three appraisers, the appraisal which differs most from the other two appraisals shall be excluded and the remaining two determinations shall be averaged and such average shall constitute the Fair Market Rental Value or Fair Market Sale Value, as appropriate. If there shall be a panel of three appraisers, the Lessee shall bear the cost of the arbitrator named in Lessee's notice, the Lessor shall bear the cost of

the arbitrator selected by the Lessor, and the Lessee and Lessor shall equally share the cost of the consensus appraiser.

"Basic Term" shall mean with respect to the Option Units delivered: (i) through June 30, 1989, the period commencing with the commencement of the lease term and continuing until July 2, 2006, and (ii) after June 30, 1989, the period commencing with the commencement of the lease term and continuing until January 2, 2007.

"Fair Market Rental Renewal Term" shall mean the period commencing at the end of the Basic Term, any Fixed Rental Renewal Term, or any Fair Market Renewal Term, as the case may be, and ending on the date chosen by the Lessee pursuant to Section 16.2, during which the Option Units may be leased for Fair Market Rental Value as permitted by this Lease.

"Fair Market Rental Value" or "Fair Market Sale Value" of any applicable Option Unit as of any date shall mean the cash rent or cash price obtainable in an arm's-length lease or sale, respectively, between an informed and willing lessee or buyer (under no compulsion to lease or purchase) and an informed and willing lessor or seller (under no compulsion to lease or sell) of the applicable Option Unit.

"Fixed Rental Renewal Term" shall mean the period commencing not earlier than July 1, 2006 and ending on the date chosen by Lessee pursuant to Section 16.2 during which the Option Units may be leased as permitted by Section 16.2.

"Renewal Term" shall mean any of the Fixed Rental Renewal Terms or Fair Market Rental Renewal Terms.

16.2. Renewal Options. Unless an Event of Default shall have occurred and be continuing at the time of the giving by Lessee of written notice of Lessee's election to renew the Lease, Lessee shall have the right to renew this Lease with respect to any or all of the following Units then subject to this Lease: (A) all but not less than all of the type GP-39 Units delivered and accepted pursuant to Section 2.1 on or before June 30, 1989; (B) all but not less

than all of the type GP-39 Units delivered and accepted pursuant to Section 2.1 after June 30, 1989; (C) all but not less than all of the type GP-40 Units delivered and accepted pursuant to Section 2.1 on or before June 30, 1989 and (D) all but not less than all of the type GP-40 Units delivered and accepted pursuant to Section 2.1 after June 30, 1989 (the "Option Units") at the end of (a) the Basic Term, for a Fixed Rental Renewal Term or a Fair Market Rental Renewal Term, (b) any Fixed Rental Renewal Term, for one or more additional Fixed Rental Renewal Terms or a Fair Market Rental Renewal Term, and (c) any Fair Market Rental Renewal Term for an additional Fair Market Rental Renewal Term; provided that such written notice shall be provided not less than 180 days prior to the expiration of the Basic Term, any Fixed Rental Renewal Term, or any Fair Market Rental Renewal Term, as the case may be, and (i) the term of any Fixed Rental Renewal Term shall be provided in the notice and the same shall be at least one year and in integral multiples of six months thereafter, (ii) in order to renew for any Fixed Rental Renewal Term, the Lessee shall provide Lessor with an updated appraisal at any time after January 1, 1999, but not later than 180 days prior to the end of the Basic Term stating:

(a) that the aggregate period of the Basic Term and the requested Fixed Rental Renewal Term or in the case of requested additional Fixed Rental Renewal Terms, the Fixed Rental Renewal Term(s) and the requested additional Fixed Rental Renewal Term does not exceed 80% of the useful life of the applicable Option Units;

(b) that the estimated residual value of the relevant Option Units at the end of the then proposed Fixed Rental Renewal Term shall be equal to at least 20% of the Purchase Price (without giving effect to inflation or deflation since the Closing Date for the respective Option Units); and

(iii) in order to renew for any Fair Market Rental Renewal Term, Lessee's written notice to Lessor shall provide the term of the same, which shall be at least one year and in integral multiples of six months thereafter, and a proposed Fair Market Rental. If the Lessee and Lessor are unable to agree upon the Fair Market Rental within 30 days of Lessee's giving such notice, the Fair Market Rental shall be determined by the Appraisal Procedure set forth in Section 16.1.

The rental rate during any Fixed Rental Renewal Term for a particular Option Unit shall be equal to 50% of the average of all of the 34 semi-annual installments of Basic Rent for that Option Unit during the Basic Term. The rental rate during a Fair Market Renewal Term for a particular Option Unit shall equal the Fair Market Rental Value. All rentals for any Fixed Rental Renewal Term or any Fair Market Rental Renewal Term shall be paid semi-annually in arrears.

16.3. Purchase Options. (a) Unless an Event of Default shall have occurred and be continuing at the time of the giving by the Lessee of written notice of its election, Lessee shall have the right upon not less than 180 days prior written notice of Lessee's election to purchase all but not less than all Units of either or both railroad equipment types (GP 39-2 and/or GP 40-2) of the deliveries made through June 30, 1989 and/or the deliveries made subsequent to June 30, 1989, then subject to this Lease (the "Option Units") on the date of expiration of the Basic Term or any Fixed Rental Renewal Term or any Fair Market Rental Renewal Term, at a purchase price equal to the lesser of (i) the Fair Market Sale Value of such Option Units on such expiration date or, (ii) 51% of the Purchase Price of such Option Units.

(b) Lessee shall pay the applicable aforesaid purchase price to the Lessor on the applicable expiration date whereupon the Lessor shall simultaneously transfer or arrange for transfer all of its right, title and interest in and to such Option Units free and clear of any claims, liens, charges or security interests attributable to Lessor or Owner to the Lessee by bill of sale and this Lease shall terminate with respect to the Option Units so purchased.

SECTION 17. RETURN OF UNITS UPON EXPIRATION OF TERM

As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit and in any event not later than 10 days thereafter, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such tracks of the Lessee as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may select and permit the Lessor to store such Unit or such tracks for a period not exceeding 30

days and, upon not less than 15 days prior written notice, transport the same once upon disposition of the Units, at any time within such 30 day period, to any reasonable destination or interchange point on the lines of railroad operated by the Lessee, all as directed by the Lessor, the movement and storage of such Units to be at the expense of the Lessee and risk of the Lessor whereupon the Lessee shall have no further liability or obligation with respect to such Units. The Lessee shall not be obligated to move any such Unit more than once at the request of the Lessor. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 17 shall (i) be in the same condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have attached or affixed thereto any special device considered an accession thereto as provided in Section 11 hereof and have removed therefrom any such device not so considered an accession. During any such storage period the Lessee shall maintain the Units in such manner as the Lessee normally maintains similar units of railroad equipment owned or leased by it in similar storage circumstances. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. In the event any Unit is not assembled, delivered and stored as hereinabove provided as a result of any action or inaction on the part of the Lessee, within 10 days after such termination, the Lessee shall pay to the Lessor, for each day thereafter as liquidated damages, and not as a penalty, for the failure of the Lessee to return the Unit to the Lessor at the expiration of this Lease as required by the provisions of this Section 17, an amount equal to the fair market rental for such Unit at the time of such expiration, for each such day. The provision for such payment shall not be in abrogation of the Lessor's right under this Section 17 to have each Unit

returned to it within 10 days after the expiration of the original or extended term of this Lease with respect to such Unit.

SECTION 18. RECORDING

The Lessee will cause this Lease, the CSA, the CSA Assignment and the Lease Assignment to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit and recording required of the Lessor under the CSA. The Lessee in addition will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all continuation statements and further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Lease Assignment, the CSA and the CSA Assignment; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor; provided, however, that no such opinion of counsel need be furnished in respect of the filing of the CSA or the CSA Assignment in Canada. This Lease, the Lease Assignment, the CSA and the CSA Assignment shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada prior to the delivery and acceptance hereunder of any Unit.

SECTION 19. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay an amount equal to the higher of (a) Debt Rate (as defined in paragraph 4.4 of the CSA) plus 2% or (b) the rate which Citibank, N.A. publicly announces from time to time as its prime rate ("Overdue Rate") of the overdue rentals and other obligations for the

period of time during which they are overdue or such lesser amount as may be legally enforceable.

SECTION 20. LESSOR'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may (but shall not be obligated to do so) upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the Penalty Rate, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or be deemed to cure the default of the Lessee hereunder.

SECTION 21. NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, with a copy to the Owner at its address set forth in Appendix II to the Participation Agreement;

(b) if to the Lessee, at 9401 Indian Creek Parkway, Overland Park, Kansas 66210-9136, Attention of Executive Vice President, with a copy to the same address, attention of Vice President, Transportation,

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing.

SECTION 22. SEVERABILITY

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such

jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 23. EFFECT AND MODIFICATION OF LEASE

Except for the Participation Agreement and the Indemnity Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

SECTION 24. THIRD PARTY BENEFICIARIES

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Owner, the Vendor and the permitted successors and assigns of a party) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 25. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 26. LAW GOVERNING

The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State

of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Section 11303 and Section 86 of the Railway Act of Canada.

SECTION 27. NO RECOURSE AGAINST CERTAIN PERSONS;
NO PERSONAL LIABILITY OF THE LESSOR

27.1. No Recourse Against Certain Persons. No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto or of the Owner whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease.

27.2. No Personal Liability of the Lessor. Anything herein to the contrary notwithstanding, each and all of the representations, warranties and agreements herein made on the part of the financial institution acting as Lessor are each and every one of them made and intended not as personal representations, warranties and agreements by said financial institution in its individual capacity or for the purpose or with the intention of binding said financial institution personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the Lessor solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said financial institution or the Owner on account of any representation, warranty or agreement hereunder of the Lessor, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

SECTION 28. AGREEMENTS FOR BENEFIT OF OWNER
AND OWNER'S AND LESSOR'S ASSIGNS

All rights of the Lessor hereunder shall inure to the benefit of the Owner and any of the Owner's assigns under the Trust Agreement and the Lessor's assigns including the Vendor.

SECTION 29. TERM LESSOR

Whenever the term "Lessor" is used in this Lease it shall apply and refer to the Lessor and any assignee of the Lessor (provided, so long as any CSA Indebtedness under the CSA or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the assignment to the Vendor shall be as set forth in the Lease Assignment).

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

BURLINGTON NORTHERN RAILROAD
COMPANY,

by

Vice President

THE CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION,
as Owner Trustee as aforesaid,

by

Authorized Officer

[Seal]

Attest:

Authorized Officer

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 22nd day of November 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a Vice President of BURLINGTON NORTHERN RAILROAD COMPANY, that said instrument was signed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 22nd day of November 1988, before me personally appeared _____ to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national association and that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

Notary Public

[Notarial Seal]

My Commission expires

APPENDIX A TO LEASE

<u>Type</u>	<u>Builder</u>	<u>Builder's Specifi- cations</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)*</u>	<u>Estimated Unit Maximum Price</u>	<u>Estimated Total Maximum Price</u>	<u>Estimated Time and Place of Delivery</u>
Diesel- Electric Locomo- tives:	EMD		La Grange, Illinois					1/1/89 to 12/15/89
GP-39-E or				25	BN-2750- 2799 BN-2926- 2999 BN-3550- 3599	\$ 660,000	\$ 16,500,000	States desig- nated in the Certificates of Acceptance
GP-40-E								

* Units delivered hereunder will bear road numbers within these series of road numbers. When deliveries have been completed, this page will be amended to show the actual road numbers of the Units delivered.

APPENDIX A TO LEASE

<u>Type</u>	<u>Builder</u>	<u>Builder's Specifi- cations</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)*</u>	<u>Estimated Unit Maximum Price</u>	<u>Estimated Total Maximum Price</u>	<u>Estimated Time and Place of Delivery</u>
Diesel- Electric Locomo- tives:	M-KIS	Exhibit "A", "B", and "C" to Agreement with Lessee dated 4/13/88.		25	BN-2800- 2924	\$660,000	\$ 16,500,000	11/18/88- 12/28/88
GP-39-M or								
GP-40-M					BN-3500- 3549			States desig- nated in the Certificates of Acceptance

* Units delivered hereunder will bear road numbers within these series of road numbers. When deliveries have been completed, this page will be amended to show the actual road numbers of the Units delivered.

APPENDIX B TO LEASE

Basic Rents for Series A Units

<u>Rental Date</u>	<u>Rent Number</u>	<u>Rent as Percentage of Purchase Price*</u>
7/ 2/1989	0	0.000000
1/ 2/1990	1	0.000000
7/ 2/1990	2	9.2859308
1/ 2/1991	3	0.000000
7/ 2/1991	4	9.2859308
1/ 2/1992	5	0.000000
7/ 2/1992	6	9.2859308
1/ 2/1993	7	3.5384250
7/ 2/1993	8	5.7475058
1/ 2/1994	9	3.4274187
7/ 2/1994	10	5.8585121
1/ 2/1995	11	3.3052563
7/ 2/1995	12	5.9806745
1/ 2/1996	13	3.1708165
7/ 2/1996	14 + 15	6.1151143
1/ 2/1997	16	11.3494710
7/ 2/1997	17	2.6044536
1/ 2/1998	18	8.7450174
7/ 2/1998	19	2.4682545
1/ 2/1999	20	8.8812164
7/ 2/1999	21	2.2626981
1/ 2/2000	22	9.0867729
7/ 2/2000	23	2.0564599
1/ 2/2001	24	9.2930110
7/ 2/2001	25	1.8380802
1/ 2/2002	26	9.5113907
7/ 2/2002	27	1.6067363
1/ 2/2003	28	9.7427347
7/ 2/2003	29	1.3616309
1/ 2/2004	30	9.9878401
7/ 2/2004	31	0.9288866
1/ 2/2005	32	10.4205844
7/ 2/2005	33	0.4519287
1/ 2/2006	34	10.8975422
TOTALS		178.4962251

Note:

Rents 1-14 are in arrears.

Rents 15-34 are in advance with rent 15 equal to 0.

The foregoing Basic Rents and the related Casualty Values have been calculated on the assumption that (i) the interest rate on this Series of CSA Indebtedness will be 10.05%, (ii) the amount of the Transaction Expenses payable by the Owner pursuant to Paragraph 12(a) of the Participation Agreement will be 1.5% of the aggregate Purchase Price of the Units, (iii) Closings under the CSA will be on the following dates for the following aggregate Purchase Prices of Equipment: December 28, 1988 - \$15,000,000; June 30, 1989 - \$7,500,000 and December 15, 1989 - \$7,500,000 and (iv) there will be no change in the Internal Revenue Code of 1986, as amended, which is enacted and effective, nor any change in the income tax regulations which is adopted, on or prior to any Closing with respect to those Units subject to such Closing.

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE

Basic Rents for Series B Units

<u>Rental Date</u>	<u>Rent Number</u>	<u>Rent as Percentage of Purchase Price*</u>
7/ 2/1989	0	0.0000000
1/ 2/1990	1	0.0000000
7/ 2/1990	2	9.0247625
1/ 2/1991	3	0.0000000
7/ 2/1991	4	9.0247625
1/ 2/1992	5	0.0000000
7/ 2/1992	6	9.0247625
1/ 2/1993	7	3.4930639
7/ 2/1993	8	5.5316986
1/ 2/1994	9	3.3906225
7/ 2/1994	10	5.6341400
1/ 2/1995	11	3.2778858
7/ 2/1995	12	5.7468768
1/ 2/1996	13	3.1538190
7/ 2/1996	14 + 15	5.8709436
1/ 2/1997	16	11.0302653
7/ 2/1997	17	2.6146311
1/ 2/1998	18	8.4156342
7/ 2/1998	19	2.3999066
1/ 2/1999	20	8.6303588
7/ 2/1999	21	2.2163256
1/ 2/2000	22	8.8139397
7/ 2/2000	23	2.0166084
1/ 2/2001	24	9.0136569
7/ 2/2001	25	1.8049677
1/ 2/2002	26	9.2252976
7/ 2/2002	27	1.5807048
1/ 2/2003	28	9.4495605
7/ 2/2003	29	1.3024425
1/ 2/2004	30	9.7278228
7/ 2/2004	31	0.8790671
1/ 2/2005	32	10.1511982
7/ 2/2005	33	0.4131426
1/ 2/2006	34	10.6171228
TOTALS		173.4759912

Note:

Rents 1-14 are in arrears.

Rents 15-34 are in advance with rent 15 equal to 0.

The foregoing Basic Rents and the related Casualty Values have been calculated on the assumption that (i) the interest rate on this Series of CSA Indebtedness will be 10.05%, (ii) the amount of the Transaction Expenses payable by the Owner pursuant to Paragraph 12(a) of the Participation Agreement will be 1.5% of the aggregate Purchase Price of the Units, (iii) Closings under the CSA will be on the following dates for the following aggregate Purchase Prices of Equipment: December 28, 1988 - \$15,000,000; June 30, 1989 - \$7,500,000 and December 15, 1989 - \$7,500,000 and (iv) there will be no change in the Internal Revenue Code of 1986, as amended, which is enacted and effective, nor any change in the income tax regulations which is adopted, on or prior to any Closing with respect to those Units subject to such Closing.

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE

Basic Rents for Series C Units

<u>Rental Date</u>	<u>Rent Number</u>	<u>Rent as Percentage of Purchase Price*</u>
1/ 2/1990	0	0.000000
7/ 2/1990	1	7.7199807
1/ 2/1991	2	1.3127719
7/ 2/1991	3	7.1752511
1/ 2/1992	4	1.8575016
7/ 2/1992	5	0.0000000
1/ 2/1993	6	9.0327527
7/ 2/1993	7	3.4495257
1/ 2/1994	8	5.5832270
7/ 2/1994	9	3.3423072
1/ 2/1995	10	5.6904455
7/ 2/1995	11	3.2243132
1/ 2/1996	12	5.8084394
7/ 2/1996	13	3.0944609
1/ 2/1997	14	5.9382918
7/ 2/1997	15	2.9515584
1/ 2/1998	16 + 17	6.0811943
7/ 2/1998	18	11.0400310
1/ 2/1999	19	3.5118307
7/ 2/1999	20	7.5282003
1/ 2/2000	21	3.4204529
7/ 2/2000	22	7.6195781
1/ 2/2001	23	3.2961088
7/ 2/2001	24	7.7439223
1/ 2/2002	25	8.5372765
7/ 2/2002	26	2.5027545
1/ 2/2003	27	9.8434753
7/ 2/2003	28	1.1965557
1/ 2/2004	29	10.3009723
7/ 2/2004	30	0.7390588
1/ 2/2005	31	10.8068803
7/ 2/2005	32	0.2331507
1/ 2/2006	33	11.0400310
7/ 2/2006	34	0.0000000
TOTALS		171.6223005

Note:

Rents 1-16 are in arrears.

Rents 17-34 are in advance with rent 17 equal to 0.

The foregoing Basic Rents and the related Casualty Values have been calculated on the assumption that (i) the interest rate on this Series of CSA Indebtedness will be 10.05%, (ii) the amount of the Transaction Expenses payable by the Owner pursuant to Paragraph 12(a) of the Participation Agreement will be 1.5% of the aggregate Purchase Price of the Units, (iii) Closings under the CSA will be on the following dates for the following aggregate Purchase Prices of Equipment: December 28, 1988 - \$15,000,000; June 30, 1989 - \$7,500,000 and December 15, 1989 - \$7,500,000 and (iv) there will be no change in the Internal Revenue Code of 1986, as amended, which is enacted and effective, nor any change in the income tax regulations which is adopted, on or prior to any Closing with respect to those Units subject to such Closing.

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE (Continued)
Deferred Equity for Series A Units

<u>Date</u>	Percentage of <u>Purchase Price*</u>
7/2/89	4.1093333
1/2/90	4.0200000
7/2/90	- 0 -
1/2/91	4.0200000
7/2/91	- 0 -
1/2/92	4.0056154
7/2/92	4.0170054

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE (Continued)

Deferred Equity for Series B Units

<u>Date</u>	Percentage of <u>Purchase Price*</u>
7/2/89	0.0446667
1/2/90	4.0200000
7/2/90	- 0 -
1/2/91	4.0200000
7/2/91	- 0 -
1/2/92	4.4784887
7/2/92	5.0000000

* As defined in paragraph 4.1 of the CSA.

APPENDIX B TO LEASE (Continued)

Deferred Equity for Series C Units

<u>Date</u>	Percentage of <u>Purchase Price*</u>
1/2/90	0.3778411
7/2/90	- 0 -
1/2/91	2.6878990
7/2/91	- 0 -
1/2/92	2.1431694
7/2/92	4.8918719
1/2/93	5.0000000

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series A Equipment

Casualty Payment Dates*	Percentage of Purchase Price*	Casualty Payment Dates*	Percentage of Purchase Price*
2 JUL 1989	106.94502	2 JAN 1996	110.99320
2 AUG 1989	107.66616	2 FEB 1996	108.35738
2 SEP 1989	108.38740	2 MAR 1996	108.89239
2 OCT 1989	109.10324	2 APR 1996	109.42716
2 NOV 1989	109.81916	2 MAY 1996	109.96187
2 DEC 1989	110.53518	2 JUN 1996	110.49660
2 JAN 1990	121.35185	2 JUL 1996	111.03129
2 FEB 1990	122.08438	2 AUG 1996	105.42621
2 MAR 1990	122.81704	2 SEP 1996	105.93626
2 APR 1990	123.54686	2 OCT 1996	106.44625
2 MAY 1990	124.27190	2 NOV 1996	106.95627
2 JUN 1990	124.99705	2 DEC 1996	107.46629
2 JUL 1990	125.71743	2 JAN 1997	107.97626
2 AUG 1990	117.13463	2 FEB 1997	97.06704
2 SEP 1990	117.83783	2 MAR 1997	97.50731
2 OCT 1990	118.53621	2 APR 1997	97.94756
2 NOV 1990	119.23465	2 MAY 1997	98.39038
2 DEC 1990	119.93314	2 JUN 1997	98.83322
2 JAN 1991	120.62680	2 JUL 1997	99.27865
2 FEB 1991	121.33374	2 AUG 1997	97.11964
2 MAR 1991	122.04075	2 SEP 1997	97.56511
2 APR 1991	122.74566	2 OCT 1997	98.01317
2 MAY 1991	123.44724	2 NOV 1997	98.46126
2 JUN 1991	124.14889	2 DEC 1997	98.90937
2 JUL 1991	124.84721	2 JAN 1998	99.36007
2 AUG 1991	116.24086	2 FEB 1998	91.03180
2 SEP 1991	116.92047	2 MAR 1998	91.44856
2 OCT 1991	117.59671	2 APR 1998	91.86647
2 NOV 1991	118.27296	2 MAY 1998	92.28622
2 DEC 1991	118.94923	2 JUN 1998	92.70598
2 JAN 1992	119.62213	2 JUL 1998	93.12760
2 FEB 1992	120.30822	2 AUG 1998	91.08097
2 MAR 1992	120.99435	2 SEP 1998	91.50263
2 APR 1992	121.67900	2 OCT 1998	91.92613
2 MAY 1992	122.36256	2 NOV 1998	92.34965
2 JUN 1992	123.04614	2 DEC 1998	92.77320
2 JUL 1992	123.72862	2 JAN 1999	93.19861
2 AUG 1992	115.06055	2 FEB 1999	84.70092
2 SEP 1992	115.67848	2 MAR 1999	85.08445
2 OCT 1992	116.29532	2 APR 1999	85.46882
2 NOV 1992	116.91221	2 MAY 1999	85.85513
2 DEC 1992	117.52916	2 JUN 1999	86.24146
2 JAN 1993	118.14502	2 JUL 1999	86.62974
2 FEB 1993	115.22252	2 AUG 1999	84.75534
2 MAR 1993	115.83848	2 SEP 1999	85.14366
2 APR 1993	116.45400	2 OCT 1999	85.53393
2 MAY 1993	117.06752	2 NOV 1999	85.92423
2 JUN 1993	117.68108	2 DEC 1999	86.31456
2 JUL 1993	118.29265	2 JAN 2000	86.70684
2 AUG 1993	113.13826	2 FEB 2000	77.96906
2 SEP 1993	113.73141	2 MAR 2000	78.31806
2 OCT 1993	114.32256	2 APR 2000	78.66793
2 NOV 1993	114.91375	2 MAY 2000	79.01986
2 DEC 1993	115.50498	2 JUN 2000	79.37182
2 JAN 1994	116.09420	2 JUL 2000	79.72585
2 FEB 1994	113.25604	2 AUG 2000	78.02344
2 MAR 1994	113.84533	2 SEP 2000	78.37751
2 APR 1994	114.43375	2 OCT 2000	78.73366
2 MAY 1994	115.02022	2 NOV 2000	79.08984
2 JUN 1994	115.60672	2 DEC 2000	79.44604
2 JUL 1994	116.19128	2 JAN 2001	79.80432
2 AUG 1994	110.89699	2 FEB 2001	70.82371
2 SEP 1994	111.46123	2 MAR 2001	71.13612
2 OCT 1994	112.02353	2 APR 2001	71.44946
2 NOV 1994	112.58584	2 MAY 2001	71.76499
2 DEC 1994	113.14818	2 JUN 2001	72.08054
2 JAN 1995	113.70856	2 JUL 2001	72.39829
2 FEB 1995	110.96370	2 AUG 2001	70.87798
2 MAR 1995	111.52412	2 SEP 2001	71.19577
2 APR 1995	112.08368	2 OCT 2001	71.51576
2 MAY 1995	112.64268	2 NOV 2001	71.83579
2 JUN 1995	113.20169	2 DEC 2001	72.15584
2 JUL 1995	113.76015	2 JAN 2002	72.47809
2 AUG 1995	108.31554	2 FEB 2002	63.24033
2 SEP 1995	108.85162	2 MAR 2002	63.51397
2 OCT 1995	109.38714	2 APR 2002	63.78859
2 NOV 1995	109.92267	2 MAY 2002	64.06554
2 DEC 1995	110.45821	2 JUN 2002	64.34250

* As defined in Paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series A Equipment

Casualty Payment Dates*	Percentage of Purchase Price*
2 JUL 2002	64.62180
2 AUG 2002	63.29438
2 SEP 2002	63.57373
2 OCT 2002	63.85541
2 NOV 2002	64.13712
2 DEC 2002	64.41885
2 JAN 2003	64.70293
2 FEB 2003	55.19273
2 MAR 2003	55.42527
2 APR 2003	55.65886
2 MAY 2003	55.89491
2 JUN 2003	56.13098
2 JUL 2003	56.36953
2 AUG 2003	55.24647
2 SEP 2003	55.48506
2 OCT 2003	55.72613
2 NOV 2003	55.96723
2 DEC 2003	56.20836
2 JAN 2004	56.45197
2 FEB 2004	46.63560
2 MAR 2004	46.80711
2 APR 2004	46.97974
2 MAY 2004	47.15506
2 JUN 2004	47.33043
2 JUL 2004	47.50849
2 AUG 2004	46.75772
2 SEP 2004	46.93587
2 OCT 2004	47.11673
2 NOV 2004	47.29764
2 DEC 2004	47.47860
2 JAN 2005	47.66228
2 FEB 2005	37.34593
2 MAR 2005	37.45022
2 APR 2005	37.55575
2 MAY 2005	37.66427
2 JUN 2005	37.77286
2 JUL 2005	37.88444
2 AUG 2005	37.54417
2 SEP 2005	37.65589
2 OCT 2005	37.77061
2 NOV 2005	37.88542
2 DEC 2005	38.00030
2 JAN 2006	38.11819
2 FEB 2006	27.25851
2 MAR 2006	27.29646
2 APR 2006	27.33578
2 MAY 2006	27.38661
2 JUN 2006	27.43754
2 JUL 2006	27.50000

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series B Equipment

Casualty Payment Dates*	Percentage of Purchase Price*	Casualty Payment Dates*	Percentage of Purchase Price*
2 JUL 1989	102.69514	2 JAN 1996	106.09159
2 AUG 1989	103.51672	2 FEB 1996	103.47564
2 SEP 1989	104.33908	2 MAR 1996	104.01357
2 OCT 1989	105.15131	2 APR 1996	104.54925
2 NOV 1989	105.96427	2 MAY 1996	105.08114
2 DEC 1989	106.77798	2 JUN 1996	105.61305
2 JAN 1990	111.70063	2 JUL 1996	106.14114
2 FEB 1990	112.56828	2 AUG 1996	100.77555
2 MAR 1990	113.43694	2 SEP 1996	101.28091
2 APR 1990	114.30222	2 OCT 1996	101.78379
2 MAY 1990	115.14989	2 NOV 1996	102.28667
2 JUN 1990	115.99847	2 DEC 1996	102.78955
2 JUL 1990	116.82935	2 JAN 1997	103.29243
2 AUG 1990	108.59278	2 FEB 1997	92.69794
2 SEP 1990	109.38159	2 MAR 1997	93.13371
2 OCT 1990	110.15239	2 APR 1997	93.56948
2 NOV 1990	110.92370	2 MAY 1997	94.00526
2 DEC 1990	111.69554	2 JUN 1997	94.44103
2 JAN 1991	112.44928	2 JUL 1997	94.88290
2 FEB 1991	113.23841	2 AUG 1997	92.71016
2 MAR 1991	114.02815	2 SEP 1997	93.15210
2 APR 1991	114.81024	2 OCT 1997	93.60057
2 MAY 1991	115.57979	2 NOV 1997	94.04912
2 JUN 1991	116.34985	2 DEC 1997	94.49773
2 JUL 1991	117.10731	2 JAN 1998	94.95291
2 AUG 1991	108.79695	2 FEB 1998	86.94350
2 SEP 1991	109.51157	2 MAR 1998	87.34975
2 OCT 1991	110.21331	2 APR 1998	87.75892
2 NOV 1991	110.91522	2 MAY 1998	88.17277
2 DEC 1991	111.61729	2 JUN 1998	88.58669
2 JAN 1992	112.30640	2 JUL 1998	89.00530
2 FEB 1992	113.03072	2 AUG 1998	87.02410
2 MAR 1992	113.75533	2 SEP 1998	87.44291
2 APR 1992	114.47442	2 OCT 1998	87.86644
2 MAY 1992	115.18777	2 NOV 1998	88.29009
2 JUN 1992	115.90136	2 DEC 1998	88.71386
2 JUL 1992	116.60918	2 JAN 1999	89.14238
2 AUG 1992	108.25195	2 FEB 1999	80.88769
2 SEP 1992	108.91993	2 MAR 1999	81.26338
2 OCT 1992	109.58233	2 APR 1999	81.64116
2 NOV 1992	110.24516	2 MAY 1999	82.02393
2 DEC 1992	110.90840	2 JUN 1999	82.40676
2 JAN 1993	111.56604	2 JUL 1999	82.79460
2 FEB 1993	108.73101	2 AUG 1999	80.96621
2 MAR 1993	109.38944	2 SEP 1999	81.35424
2 APR 1993	110.04560	2 OCT 1999	81.74730
2 MAY 1993	110.69659	2 NOV 1999	82.14049
2 JUN 1993	111.34795	2 DEC 1999	82.53380
2 JUL 1993	111.99412	2 JAN 2000	82.93217
2 AUG 1993	107.09185	2 FEB 2000	74.46066
2 SEP 1993	107.72162	2 MAR 2000	74.80312
2 OCT 1993	108.34617	2 APR 2000	75.14781
2 NOV 1993	108.97104	2 MAY 2000	75.49778
2 DEC 1993	109.59622	2 JUN 2000	75.84782
2 JAN 1994	110.21617	2 JUL 2000	76.20318
2 FEB 1994	107.44578	2 AUG 2000	74.54202
2 MAR 1994	108.06630	2 SEP 2000	74.89757
2 APR 1994	108.68485	2 OCT 2000	75.25847
2 MAY 1994	109.29789	2 NOV 2000	75.61949
2 JUN 1994	109.91138	2 DEC 2000	75.98064
2 JUL 1994	110.51975	2 JAN 2001	76.34716
2 AUG 1994	105.47541	2 FEB 2001	67.64069
2 SEP 1994	106.06543	2 MAR 2001	67.94791
2 OCT 1994	106.65030	2 APR 2001	68.25749
2 NOV 1994	107.23538	2 MAY 2001	68.57268
2 DEC 1994	107.82065	2 JUN 2001	68.88795
2 JAN 1995	108.40075	2 JUL 2001	69.20885
2 FEB 1995	105.70313	2 AUG 2001	67.72488
2 MAR 1995	106.28358	2 SEP 2001	68.04600
2 APR 1995	106.86182	2 OCT 2001	68.37277
2 MAY 1995	107.43501	2 NOV 2001	68.69969
2 JUN 1995	108.00835	2 DEC 2001	69.02673
2 JUL 1995	108.57663	2 JAN 2002	69.35948
2 AUG 1995	103.37746	2 FEB 2002	60.40401
2 SEP 1995	103.92529	2 MAR 2002	60.67386
2 OCT 1995	104.46803	2 APR 2002	60.94622
2 NOV 1995	105.01086	2 MAY 2002	61.22453
2 DEC 1995	105.55378	2 JUN 2002	61.50292

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series B Equipment

<u>Casualty Payment Dates*</u>	<u>Percentage of Purchase Price*</u>
2 JUL 2002	61.78729
2 AUG 2002	60.49107
2 SEP 2002	60.77566
2 OCT 2002	61.06626
2 NOV 2002	61.35701
2 DEC 2002	61.64790
2 JAN 2003	61.94484
2 FEB 2003	52.72574
2 MAR 2003	52.95627
2 APR 2003	53.18950
2 MAY 2003	53.42911
2 JUN 2003	53.66884
2 JUL 2003	53.91499
2 AUG 2003	52.85885
2 SEP 2003	53.10530
2 OCT 2003	53.35821
2 NOV 2003	53.61130
2 DEC 2003	53.86458
2 JAN 2004	54.12435
2 FEB 2004	44.58596
2 MAR 2004	44.77561
2 APR 2004	44.96829
2 MAY 2004	45.16806
2 JUN 2004	45.36810
2 JUL 2004	45.57528
2 AUG 2004	44.90371
2 SEP 2004	45.11152
2 OCT 2004	45.32650
2 NOV 2004	45.54184
2 DEC 2004	45.75753
2 JAN 2005	45.98044
2 FEB 2005	35.97489
2 MAR 2005	36.12094
2 APR 2005	36.27044
2 MAY 2005	36.42791
2 JUN 2005	36.58584
2 JUL 2005	36.75179
2 AUG 2005	36.50510
2 SEP 2005	36.67206
2 OCT 2005	36.84708
2 NOV 2005	37.02265
2 DEC 2005	37.19878
2 JAN 2006	37.38302
2 FEB 2006	26.86464
2 MAR 2006	26.96390
2 APR 2006	27.06703
2 MAY 2006	27.20067
2 JUN 2006	27.33500
2 JUL 2006	27.50000

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series C Equipment

Casualty Payment Dates*	Percentage of Purchase Price*	Casualty Payment Dates*	Percentage of Purchase Price*
2 JAN 1990	106.17955	2 JUL 1996	103.79432
2 FEB 1990	107.04591	2 AUG 1996	101.22256
2 MAR 1990	107.91348	2 SEP 1996	101.74529
2 APR 1990	108.77817	2 OCT 1996	102.26645
2 MAY 1990	109.62242	2 NOV 1996	102.78765
2 JUN 1990	110.46775	2 DEC 1996	103.30888
2 JUL 1990	111.29253	2 JAN 1997	103.82852
2 AUG 1990	104.36067	2 FEB 1997	98.38607
2 SEP 1990	105.14953	2 MAR 1997	98.88194
2 OCT 1990	105.91749	2 APR 1997	99.37712
2 NOV 1990	106.68607	2 MAY 1997	99.87505
2 DEC 1990	107.45526	2 JUN 1997	100.37301
2 JAN 1991	108.20344	2 JUL 1997	100.87374
2 FEB 1991	107.66651	2 AUG 1997	98.42297
2 MAR 1991	108.44301	2 SEP 1997	98.92380
2 APR 1991	109.21057	2 OCT 1997	99.42743
2 MAY 1991	109.96351	2 NOV 1997	99.93112
2 JUN 1991	110.71698	2 DEC 1997	100.43488
2 JUL 1991	111.45575	2 JAN 1998	100.94145
2 AUG 1991	104.98760	2 FEB 1998	95.33976
2 SEP 1991	105.69496	2 MAR 1998	95.81932
2 OCT 1991	106.38734	2 APR 1998	96.30015
2 NOV 1991	107.07987	2 MAY 1998	96.78621
2 DEC 1991	107.77256	2 JUN 1998	97.27237
2 JAN 1992	108.45020	2 JUL 1998	97.76378
2 FEB 1992	107.29206	2 AUG 1998	87.14444
2 MAR 1992	107.99162	2 SEP 1998	87.56519
2 APR 1992	108.68462	2 OCT 1998	87.99115
2 MAY 1992	109.36714	2 NOV 1998	88.41721
2 JUN 1992	110.04976	2 DEC 1998	88.84336
2 JUL 1992	110.72184	2 JAN 1999	89.27476
2 AUG 1992	111.43595	2 FEB 1999	86.18389
2 SEP 1992	112.15039	2 MAR 1999	86.60490
2 OCT 1992	112.85453	2 APR 1999	87.02828
2 NOV 1992	113.55894	2 MAY 1999	87.45735
2 DEC 1992	114.26363	2 JUN 1999	87.88653
2 JAN 1993	114.95796	2 JUL 1999	88.32145
2 FEB 1993	106.58590	2 AUG 1999	81.18355
2 MAR 1993	107.24712	2 SEP 1999	81.57391
2 APR 1993	107.90413	2 OCT 1999	81.96996
2 MAY 1993	108.55529	2 NOV 1999	82.36611
2 JUN 1993	109.20692	2 DEC 1999	82.76235
2 JUL 1993	109.85267	2 JAN 2000	83.16431
2 AUG 1993	107.04932	2 FEB 2000	80.13444
2 SEP 1993	107.69593	2 MAR 2000	80.52509
2 OCT 1993	108.33663	2 APR 2000	80.91829
2 NOV 1993	108.97773	2 MAY 2000	81.31756
2 DEC 1993	109.61922	2 JUN 2000	81.71694
2 JAN 1994	110.25478	2 JUL 2000	82.12241
2 FEB 1994	105.28961	2 AUG 2000	74.86121
2 MAR 1994	105.90803	2 SEP 2000	75.21965
2 APR 1994	106.52401	2 OCT 2000	75.58414
2 MAY 1994	107.13418	2 NOV 2000	75.94873
2 JUN 1994	107.74467	2 DEC 2000	76.31342
2 JUL 1994	108.34933	2 JAN 2001	76.68419
2 AUG 1994	105.61196	2 FEB 2001	73.74676
2 SEP 1994	106.21719	2 MAR 2001	74.10550
2 OCT 1994	106.81655	2 APR 2001	74.46697
2 NOV 1994	107.41617	2 MAY 2001	74.83486
2 DEC 1994	108.01605	2 JUN 2001	75.20288
2 JAN 1995	108.61002	2 JUL 2001	75.57736
2 FEB 1995	103.49410	2 AUG 2001	68.15801
2 MAR 1995	104.06886	2 SEP 2001	68.48265
2 APR 1995	104.64110	2 OCT 2001	68.81370
2 MAY 1995	105.20761	2 NOV 2001	69.14486
2 JUN 1995	105.77429	2 DEC 2001	69.47613
2 JUL 1995	106.33521	2 JAN 2002	69.81384
2 AUG 1995	103.67196	2 FEB 2002	61.55645
2 SEP 1995	104.23316	2 MAR 2002	61.83641
2 OCT 1995	104.78856	2 APR 2002	62.11925
2 NOV 1995	105.34407	2 MAY 2002	62.40921
2 DEC 1995	105.89969	2 JUN 2002	62.69930
2 JAN 1996	106.44948	2 JUL 2002	62.99655
2 FEB 1996	101.16926	2 AUG 2002	60.78219
2 MAR 1996	101.69753	2 SEP 2002	61.07071
2 APR 1996	102.22328	2 OCT 2002	61.36638
2 MAY 1996	102.74745	2 NOV 2002	61.66222
2 JUN 1996	103.27167	2 DEC 2002	61.95822

* As defined in paragraph 4.1 of the CSA.

APPENDIX C TO LEASE
Casualty Values
Series C Equipment

Casualty Payment Dates*	Percentage of Purchase Price*
2 JAN 2003	62.26141
2 FEB 2003	52.65239
2 MAR 2003	52.88705
2 APR 2003	53.12505
2 MAY 2003	53.37107
2 JUN 2003	53.61736
2 JUL 2003	53.87173
2 AUG 2003	52.92987
2 SEP 2003	53.18490
2 OCT 2003	53.44806
2 NOV 2003	53.71159
2 DEC 2003	53.97552
2 JAN 2004	54.24762
2 FEB 2004	44.14293
2 MAR 2004	44.33966
2 APR 2004	44.54030
2 MAY 2004	44.75002
2 JUN 2004	44.96027
2 JUL 2004	45.17966
2 AUG 2004	44.66058
2 SEP 2004	44.88114
2 OCT 2004	45.11092
2 NOV 2004	45.34133
2 DEC 2004	45.57240
2 JAN 2005	45.81273
2 FEB 2005	35.16258
2 MAR 2005	35.32002
2 APR 2005	35.48201
2 MAY 2005	35.65429
2 JUN 2005	35.82738
2 JUL 2005	36.01082
2 AUG 2005	35.96199
2 SEP 2005	36.14719
2 OCT 2005	36.34282
2 NOV 2005	36.53940
2 DEC 2005	36.73693
2 JAN 2006	36.94497
2 FEB 2006	26.01279
2 MAR 2006	26.12129
2 APR 2006	26.23469
2 MAY 2006	26.35876
2 JUN 2006	26.48357
2 JUL 2006	26.61911
2 AUG 2006	26.75548
2 SEP 2006	26.89266
2 OCT 2006	27.04066
2 NOV 2006	27.18955
2 DEC 2006	27.33933
2 JAN 2007	27.50000

* As defined in paragraph 4.1 of the CSA.

Certificate of Acceptance

To: The Connecticut Bank and Trust Company, National
Association ("Lessor")

I, the duly authorized representative for the
Lessor and Burlington Northern Railroad Company ("Lessee")
under the Lease of Railroad Equipment dated as of
November 1, 1988, do hereby certify that each of the units
of equipment identified below have been inspected and I have
accepted delivery of each of such units on the date and at
the time set forth below. On such date and at such time,
all of such units were located in one or more of the
following States: Wisconsin, Minnesota, North Dakota,
Montana, Idaho, Washington, Iowa or Nebraska.

TYPE OF EQUIPMENT:
MODEL:
DATE ACCEPTED:
NUMBER OF UNITS:
NUMBERED:

I do hereby certify that the foregoing Units are
in good order and condition, and conform to the
specifications, requirements and standards applicable
thereto as provided in the Lease.

I do further certify that each of the foregoing
Units has been marked upon each side of each such Unit in
letters not less than one inch in height as follows:

"Subject to a Security Agreement filed with the
Interstate Commerce Commission."

The execution of this Certificate will in no way
relieve or decrease the responsibility of the Builder named
below for any warranties it has made with respect to the
Equipment.

Authorized Representative of
Lessor and Lessee

BUILDER:
DATE:
TIME:

[P81680]
ANNEX D
to Conditional
Sale Agreement
and Indenture
[CS&M Ref. 4327-090]

ASSIGNMENT OF LEASE AND AGREEMENT dated as of November 1, 1988 ("Assignment"), by and between THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, acting not in its individual capacity but solely in its capacity as Owner Trustee ("Lessor") under a Trust Agreement ("Trust Agreement") dated as of the date hereof with FIRST BANK NATIONAL ASSOCIATION, ("Owner"), and MERIDIAN TRUST COMPANY, as Agent ("Vendor") under a Participation Agreement dated as of the date hereof.

WHEREAS the Lessor is entering into a Conditional Sale Agreement and Indenture dated as of the date hereof ("CSA") with General Motors Corporation (Electro-Motive Division) and M-K Industrial Services Company (severally, a "Builder" and collectively "Builders"), providing for the sale to the Lessor of such units of railroad equipment ("Units") described in Annex B thereto as are delivered to and accepted by the Lessor thereunder;

WHEREAS the Lessor and Burlington Northern Railroad Company ("Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof ("Lease") providing for the leasing by the Lessor to the Lessee of the Units;

WHEREAS each Builder has assigned to the Vendor its rights in, to and under the CSA pursuant to an Assignment and Agreement dated as of the date hereof; and

WHEREAS in order to provide security to the Vendor for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as defined in Section 4.3(b) of the CSA), the Lessor agrees to assign for security purposes its rights in, to and under the Lease to the Vendor;

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor under the CSA, all the Lessor's right, title and interest, powers, privileges and other benefits under the Lease (including those inuring to the benefit of the Owner), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys, other than the payments included in Excluded Payments and Rights defined below, being hereinafter called "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease; provided, however, that, notwithstanding the foregoing, the payments and rights assigned by Lessor to Vendor herein do not include any of the following which are expressly reserved to Lessor and Owner, as the case may be: (a) all payments of any indemnity under Sections 6 and 12 of the Lease or under the Indemnity Agreement which by the terms thereof are payable to the Owner Trustee or the Owner for its own account; (b) any insurance proceeds payable under public liability policies maintained by the Lessee pursuant to Section 7.6(1)(ii) of the Lease which by the terms of such policies or the terms of the Lease are payable directly to the Owner Trustee or the Owner for its own account and any proceeds of insurance maintained with respect to the Equipment by the Owner Trustee or the Owner (whether directly or through the Owner Trustee) and not required to be maintained by the Lessee under the Lease; (c) all rights of the Owner Trustee or the Owner under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Owner Trustee or the Owner on account of any such indemnities or payments referred to in clause (a) above and to seek legal or equitable remedies to require the Lessee to maintain the insurance coverage referred to in Clause (b) above, provided that the rights referred to in this clause (c) shall not be deemed to include the exercise of any remedies provided for in Section 13 of the Lease other than the right to proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of such indemnities or insurance covenants or to recover damages for the breach thereof; (d) if any Event of Default under the Lease based solely on a breach of any covenant of the Lessee to pay any indemnity

referred to in clause (a) above or to maintain any insurance referred to in clause (b) above shall occur and be continuing, the right of the Owner Trustee to exercise the remedies, but only those remedies provided for in Section 13 of the Lease, to enforce, by appropriate court action, either at law or in equity, performance by the Lessee of any covenants of the Lessee to pay any such indemnity or payment directly to the Owner Trustee or to maintain such insurance or recover damages for the breach of any such covenant; (e) the right of the Owner Trustee, but not to the exclusion of the Indenture Trustee, (i) to receive from the Lessee certificates and other documents and information which the Lessee is required to give or furnish to the Owner Trustee pursuant to the Lease, (ii) to inspect the Equipment and all records relating thereto; (iii) to exercise its rights to perform for Lessee under Section 20 of the Lease and (iv) to cause the Lessee to take such acts as may be reasonably requested by the Owner Trustee pursuant to Section 18 of the Lease; (f) so long as no Default or Event of Default under the CSA has occurred and is continuing, the right, to the exclusion of the Indenture Trustee, (i) to accept delivery of the Equipment, under and pursuant to the Participation Agreement and the CSA, subject to the satisfaction of the conditions set forth in the Participation Agreement and the CSA and (ii) to exercise the rights of Lessor under Section 16 of the Lease with respect to the Lessee's renewal options and purchase options; and (g) whether or not an Event of Default under the CSA has been declared and is continuing, all rights of the Owner Trustee, to the exclusion of the Indenture Trustee, (i) to adjust the basic lease rates and Casualty Values as provided in Section 3.1(2) of the Lease and (ii) to determine Fair Market Sale Value and Fair Market Rental Value under the Lease, for all purposes except following an Event of Default under the Lease ("Excluded Payments and Rights"). In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA

could constitute an event of default thereunder, shall have occurred and be continuing, any balance shall be paid to the Owner on the same date such Payment is applied to satisfy such obligations of the Lessor by bank wire to the Owner at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Owner. If an event of default under Section 16.1 of the CSA shall have occurred and be continuing, the Indenture Trustee, after application of such Payments to satisfy the obligations of the Lessor under the CSA, may hold the balance remaining of such Payments until the earlier to occur of (i) the date on which such Event of Default shall have been cured to the extent permitted under the provisions of the CSA, or (ii) the 180th day following the date on which such funds were received by the Indenture Trustee, in which event, unless a Declaration of Default (as defined in Section 16.1 of the CSA) has been made, such Payments shall be distributed to the Owner. If the Vendor shall not receive any rental payment under Section 3 of the Lease or Casualty Value payment under Section 7.1 of the Lease when due, the Vendor shall within 1 business day after the due date thereof notify the Lessee, the Lessor and the Owner by telephone, confirmed in writing, at their addresses set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor and the Owner shall not affect the obligations of the Lessor hereunder or under the CSA, except that the Vendor may not make a Declaration of Default (as defined in Section 16.1 of the CSA) based solely on an event of default under subparagraph (a) of said Section 16.1 arising solely by reason of the failure of the Lessee to make any such rental or Casualty Value payment which would not constitute an event of default under subparagraph (e) of said Section 16.1 if the Lessor complies with the provisions thereof, unless such event of default is not remedied within 7 days after notification is given as aforesaid.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by

the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive, compound and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claim or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums and other obligations due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor. Promptly following such full discharge and satisfaction, the Vendor agrees that it will advise the Lessee in writing that all sums and other obligations due from the Lessor under the CSA have been fully discharged and satisfied and instruct the Lessee that no further payments under the Lease are to be made to the Vendor.

6. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments reasonably requested by the Vendor in order to confirm or further assure, the interest of the Vendor hereunder.

7. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

8. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and Section 86 of the Railway Act of Canada, such additional rights, if any, arising out of the filing, recording or deposit hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement shall be filed, recorded or deposited or in which any unit of Equipment shall be located, and such rights, if any, arising out of the marking of Equipment.

9. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor unless the same are delivered directly to the Vendor pursuant to the provisions of any other document.

10. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under the CSA has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in paragraph 1 hereof, and upon the occurrence of an event of default under the CSA, the Vendor shall be entitled to exercise remedies in respect of such assigned rights, powers, privileges, authorizations and benefits pursuant to and subject to the provisions and limitations set forth in the CSA and this Assignment; provided, however, that the Vendor may not amend any provision of the Documents without the consent of the Lessor unless an event of default under the CSA has occurred and is continuing and the Vendor has given at least 10 days prior written notice to the Lessor of such amendment (it being understood that no waiver of any existing Money Event of Default (as hereinafter defined) without an express written amendment shall be construed as an amendment for the purposes of this proviso), and the Lessor shall have the option within such period to pay or cause to be paid the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under the CSA, and upon receipt of such payment the Vendor and the Investors shall have no further interest in any of the Documents or the Equipment; and provided, further, that the Vendor may waive any event of default under the CSA, except that if the Vendor has waived three

events of default under the CSA of the type which could be cured with the payment of money ("Money Events of Default") and the Vendor proposes to waive a fourth or subsequent Money Event of Default, the Vendor shall give the Lessor at least 10 days prior written notice of its intent to make such waiver, and the Lessor shall have the option within such period to pay or cause to be paid the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under the CSA, and upon receipt of such payment the Vendor and the Investors shall have no further interest in any of the Documents or the Equipment. Subject to the terms of the Lease and the CSA, the Lessor may, so long as no event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges, and remedies arising out of Section 13.1(a) of the Lease; provided, however, that the Lessor may, whether or not an event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise and enforce, its rights, powers, privileges and remedies arising out of Section 13.1(a) of the Lease in respect of the Excluded Payments and Rights; provided further, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce any rights, powers, privileges and remedies arising out of Section 13.1(b) of the Lease or take any action which would cause any termination of the Lease.

11. Anything herein to the contrary notwithstanding, each and all of the representations and agreements in this Assignment made on the part of the financial institution acting as Lessor are each and every one of them made and intended not as individual representations and agreements by said financial institution in its individual capacity, or for the purpose or with the intention of binding said financial institution individually but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Agreement is executed and delivered by said financial institution solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no individual liability or individual responsibility is assumed by or shall at any time be asserted or enforceable against said financial institution, on account of any representation or agreement hereunder of the Lessor, either expressed or implied, all such individual liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided,

however, that the Vendor or any person claiming by, through or under the Vendor, making claim hereunder, may look to said Trust Estate for the satisfaction of the same.

This Assignment shall be effective upon delivery of fully executed counterparts hereof to Cravath, Swaine & Moore, at their offices in New York, New York.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

[Seal]

Attest:

CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION,
as Owner Trustee as aforesaid,

Authorized Officer

by

Vice President

MERIDIAN TRUST COMPANY,
as Agent,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 22nd day of November 1988, before me personally appeared _____ to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national association and that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 22nd day of November 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, days that he is an Authorized Officer of MERIDIAN TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said company and that said instrument was signed and sealed on behalf of said company by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said company.

Notary Public

[Notarial Seal]

My Commission expires

Consent and Agreement

The undersigned, the lessee ("Lessee") named in the Lease ("Lease") referred to in the foregoing Assignment of Lease and Agreement ("Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that so long as the Lease Assignment is effective:

(1) it will pay all Payments (as defined in Section 1 of the Lease Assignment) and other moneys provided for in the Lease due and to become due under the Lease directly to Meridian Trust Company, as Indenture Trustee ("Vendor"), the assignee named in the Lease Assignment, by bank wire transfer of immediately available funds to Meridian Trust Company, Reading, Pennsylvania, for credit to its Corporate Trust Department's Account No. 0131-3851 with advice that the funds are "RE: BN 11/1/88": (or at such other address as may be furnished in writing to the Lessee by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor and that the Lessee will not assert against the Vendor any claim or defense the Lessee may have against the Lessor under the Lease;

(3) the Vendor shall not, by virtue of the Lease Assignment, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the State of New York and, for all purposes, shall be construed in accordance with the laws of said state.